

**FRANCHISE DISCLOSURE DOCUMENT**  
HAND AND STONE FRANCHISE LLC  
1210 Northbrook Drive, Suite 150  
Trevose, Pennsylvania 19053  
(215) 259-7540  
www.handandstone.com



The franchise offered is for the operation of massage, facial, waxing services, and the sale of related retail products under the name Hand and Stone Massage and Facial Spa. We offer our services to the general public in a member and non-member program.

The total investment necessary to begin operation of a Hand and Stone Massage and Facial Spa franchised business is \$526,791 to \$691,311. This includes approximately \$51,000 to \$68,000 that must be paid to the franchisor and/or its affiliate.

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 the disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no 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 Jennifer Durham at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053 and (215) 259-7540.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](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:** May 17, 2023

## How to Use This Franchise Disclosure Document

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

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 Exhibits E and F.
<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 discretion. 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 C 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 HAND AND STONE MASSAGE AND FACIAL SPA business 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 franchise 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 a HAND AND STONE MASSAGE AND FACIAL SPA franchisee?</b>	Item 20 or Exhibits E and F list 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 A.

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 Pennsylvania. 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 Pennsylvania than in your own state.

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.

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### **EXHIBITS**

- Exhibit A – List of State Administrators/Agents for Service of Process
- Exhibit B – Table of Contents of the Operations Manual
- Exhibit C – Financial Statements
- Exhibit D – Franchise Agreement
  - Exhibit A – Approved Location; Protected Territory
  - Exhibit B – Nondisclosure and Non-Competition Agreement
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  - Exhibit D – Collateral Assignment and Assumption of Lease
  - Exhibit E – Acknowledgment of Telephone Number Ownership
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- Exhibit E – List of Active Franchise Owners

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

To simplify the language in this Disclosure Document, the words “we,” “our” and “us” refer to Hand and Stone Franchise LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise.

**Franchisor, Predecessor and Our Business Activities**

We were originally incorporated in the State of New Jersey on April 6, 2005, as Hand and Stone Franchise Corp., for the sole purpose of offering HAND AND STONE MASSAGE AND FACIAL SPA franchises. Hand and Stone Franchise Corp. offered franchises from 2005 to June 2022. It also had previously offered a Regional Developer program. On June 22, 2022, following the Parent Merger (as defined below in this Item 1 under Our Parents, Subsidiaries and Affiliates), Hand and Stone Franchise Corp. merged with and into Hand and Stone Franchise LLC, a New Jersey limited liability company and a newly formed wholly-owned subsidiary of our parent HS Parent Inc., with Hand and Stone Franchise LLC being the surviving entity in the merger. As a result of this merger, Hand and Stone Franchise LLC became the franchisor, and Hand and Stone Franchise Corp. became its predecessor. Hand and Stone Franchise LLC has been offering franchises since June 2022. Our principal business address is 1210 Northbrook Drive, Trevose, Pennsylvania 19053. We do business under our corporate name and the names “HAND AND STONE”, “HAND AND STONE MASSAGE SPA”, and “HAND AND STONE MASSAGE AND FACIAL SPA”. We have not offered franchises in any other line of business.

We grant franchises to qualified persons in conjunction with the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and certain associated logos (collectively referred to as the “Marks”).\* We refer to the “HAND AND STONE MASSAGE AND FACIAL SPA” you will operate as the “Franchised Business.”

HAND AND STONE MASSAGE AND FACIAL SPA offers professional massage, facial, and waxing services and related retail products. A HAND AND STONE franchise requires approximately 2,200-3,200 square feet of space. They are located in strip malls and shopping centers. You must operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our “System” and which is more particularly described in our Franchise Agreement attached as Exhibit D to this Disclosure Document. We are not engaged in any other line of business. We do not own or operate a business of the type being franchised; however, as of the issuance date of this Disclosure Document, we have wholly owned subsidiaries that operate fourteen (14) HAND AND STONE franchises, one (1) of which is located in New Jersey and thirteen (13) of which are located in Florida.

**Our Parents, Subsidiaries and Affiliates**

We are a direct, wholly-owned subsidiary of HS Parent Inc., a Delaware corporation. The name and principal business address of each of our direct or indirect parents that exercise control over the policies and direction of the System are as follows:

<b>Name of Company</b>	<b>Principal Business Address</b>	<b>Ownership or Control of Company</b>
HP H&S Parent Holdings, LP	280 Park Avenue, Floor 26 West, New York, NY 10017	Controlled by investment funds affiliated with Harvest Partners LP

\* Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached as Exhibit D to this Disclosure Document.

<b>Name of Company</b>	<b>Principal Business Address</b>	<b>Ownership or Control of Company</b>
HP H&S Parent, Inc.	280 Park Avenue, Floor 26 West, New York, NY 10017	100% owned by HP H&S Parent Holdings, LP
HP H&S Purchaser, Inc.	280 Park Avenue, Floor 26 West, New York, NY 10017	100% owned by HP H&S Parent, Inc.
HS Spa Holdings Inc.	1210 Northbrook Drive, Trevose, Pennsylvania 19053	100% owned by HP H&S Purchaser, Inc.
HS Parent LLC	1210 Northbrook Drive, Trevose, Pennsylvania 19053	100% owned by HS Spa Holdings Inc.

On June 2, 2022, our indirect parent, HS Spa Holdings Inc. (“Holdings”), merged with HP H&S Merger Sub, Inc., a Delaware corporation, with Holdings being the surviving entity in the merger (“Parent Merger”). As a result of the Parent Merger, Holdings became a direct subsidiary of HP H&S Purchaser, Inc., a Delaware corporation.

We have the following five subsidiaries (collectively, the “Subsidiaries”) that provide services to the System or operate HAND AND STONE units:

- Our subsidiary HS Hamilton Spa, LLC (“HS Hamilton Spa”) was incorporated in New Jersey on September 5, 2014 with a principal business address at 630 Marketplace Blvd., Hamilton, New Jersey 08691. HS Hamilton Spa currently owns and operates a HAND AND STONE unit in Hamilton, New Jersey. HS Hamilton Spa does not currently offer or has not previously offered franchises in this or any other line of business.
- Our subsidiary H&S Spa Management LLC (“H&S Spa Management”) was incorporated in Pennsylvania on March 15, 2018 with a principal business address at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. H&S Spa Management currently owns and operates HAND AND STONE units in New Jersey and Florida. H&S Spa Management does not currently offer or has not previously offered franchises in this or any other line of business.
- Our subsidiary HSM Advertising, Inc. is headquartered at 1210 Northbrook Drive, Trevose, Pennsylvania 19053 (“Advertising Agency”). Our Advertising Agency will prepare all advertising for use in the System, including grand opening advertising campaigns and local advertising materials, and our Advertising Agency will manage the Marketing Fund and Local Advertising Fees. Our Advertising Agency has never operated a business of the type being franchised, and our Advertising Agency has never offered franchises in this or any other line of business.
- Our subsidiary, HS Card Services, Inc. (“HS Card Services”), is a Pennsylvania corporation with an office at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. HS Card Services processes gift card sales and manages reimbursement of redeemed gift cards sold through the national site and which are redeemed at Hand and Stone franchise. HS Card Services has never operated a business of the type being franchised, and has never offered franchises in this or any other line of business.
- Our subsidiary, HS Design, LLC (“HS Design”), is a Pennsylvania limited liability company formed in September 2017 with an office at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. HS Design provides architectural drawings and other design services as the in-house architectural/design company for our franchisees. HS Design has never



operated a business of the type being franchised, and has never offered franchises in this or any other line of business.

Our affiliate H&S Massage Spa Canada Corporation (“H&S Massage Spa Canada Corporation”) was incorporated in Province of British Columbia on October 9, 2019 with a principal business address at 1210 Northbrook Drive, Trevoise, Pennsylvania 19053.

Additionally, on April 28, 2021, the H&S Massage Spa Canada Corporation completed its acquisition of Massage Experts Franchising (2014) Limited (“MEFL”), a Canadian company that offered massage therapy franchises in Canada (the “**Acquisition**”) from April 2013 to April 2021. Following the Acquisition, MEFL became a wholly-owned subsidiary of H&S Massage Spa Canada Corporation and shares the same directors and officers as H&S Massage Spa Canada Corporation. Following the Acquisition, MEFL assigned all existing Canadian franchise agreements and certain other assets used in operating the Massage Experts franchise system to an affiliate of the Master Franchisee, HS Massage Experts Corporation (“**HSMEC**”), an Ontario corporation incorporated on April 15, 2021, following which HSMEC became the new franchisor of the Massage Experts franchise system in Canada. HSMEC has the same principal address as H&S Massage Spa Canada Corporation and offers Massage Expert franchises pursuant to a separate disclosure document. As of the date of this disclosure document, there are 22 Massage Experts franchises in Canada currently in operation.

### Our Franchise Program

We grant to persons who meet our qualifications and who are willing to undertake the investment and effort, franchises for the right to own and operate a HAND AND STONE MASSAGE AND FACIAL SPA franchise (the “Franchise”) at a single location that we approve using the Marks, Copyrights and the System. Our current form of Franchise Agreement is attached as Exhibit D. The HAND AND STONE MASSAGE AND FACIAL SPA which involves spas offering massage, facial, and waxing services and related retail products business (the “Business”) you will own and operate under the Franchise Agreement is referred to as the or your “Business”.

### Regional Developers

Our predecessor Hand and Stone Franchise Corp. previously entered into agreements with individuals which serve as “Regional Developers” and assist us in providing certain ongoing services to franchisees located in certain states. Our current Regional Developers are listed in Exhibit G of this Disclosure Document. Hand and Stone Franchise Corp. ceased offering Regional Developer opportunities in 2009.

### General Description of the Market and Competition

Our concept is targeted to the general public. As a franchisee, you will compete for consumers with a variety of other businesses, including those that only offer massage services, facial services, waxing services and those that offer spa services in general. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. Demand for the services you offer may be dependent on the local and national economic conditions and their effect on the public’s discretionary spending.

### Regulations

Many states have laws and regulations requiring the examination and certification of massage therapists and estheticians. Some states have laws and regulations that restrict the types of services and

treatments massage therapists or estheticians can offer. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating a HAND AND STONE franchise and you should consider both their effect and cost of compliance. State, Local, or Federal laws require you to obtain various licenses and/or permits for the operation of your HAND AND STONE franchise. Each state may differ in licensing and permit requirements for the services you will offer. It is your sole responsibility to research the requirements that apply to your specific territory, and to operate your HAND AND STONE franchise in full compliance with all State, Local and/or Federal laws that apply to your business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **CEO and President: John Teza**

Mr. Teza joined us in August 2020 as our President and Chief Development Officer. Mr. Teza has been CEO and President since August 2021. From August 2017 until July 2020, he served as a Principal for NRD Capital Management of Atlanta, Georgia. From May 2016 until July 2017, he served as Chief Development Officer of Corner Bakery Café of Dallas, Texas. From April 2011 until November 2015, he served as Chief Development Officer for Jersey Mike’s Franchise System of Manasquan, New Jersey.

### **Chief Financial Officer: Scott Brennan**

Mr. Brennan joined us in November 2013 as our Chief Financial Officer.

### **Chief Marketing Officer: Jack Bachinsky**

Mr. Bachinsky joined us in January 2014 as Vice President of Advertising and Marketing and was promoted to Chief Marketing Office of Hand and Stone in January 2018.

### **Chief Information Officer: Brock Clayton**

Mr. Clayton has been our Chief Information Officer since November 2008.

### **Chief Technology Officer: Siddharth Desai**

Mr. Desai has served as Chief Digital and Technology Officer since February 2023. Prior to this, he was the Senior Vice President of Technology Strategy and Digital Operations at Tropical Smoothie Cafe, LLC from December 2021 through February 2023. From June 2020 to December 2021, he served as the Vice President of Technology Strategy and Digital Operations. Prior to joining Tropical Smoothie Cafe, LLC, from August 2013 to June 2020, he was a Senior Vice President for Truist f/k/a Suntrust Bank in Atlanta, Georgia serving in various executive leadership positions within Technology, Procurement, and the Corporate Efficiency Office.

### **Chief Experience Officer: Cindy Meiskin**

Ms. Meiskin has served as our Chief Experience Officer since August 2020. From October 2017 until July 2020, Ms. Meiskin served as our Vice President of Brand Experience. She previously served as our Vice President of Training from January 2016 until October 2017. From February 2012 until December 2015, she served as Hand and Stone’s Director of Training and then Executive Director of Training.

**Chief Development Officer: Jennifer Durham**

Mrs. Durham joined us in December 2022 as Chief Development Officer. She served as Chief Development Officer for Cooper’s Hawk Winery & Restaurants of Downers Grove, IL from April 2019 to December 2022 and Checkers Drive-In Restaurants of Tampa, FL from July 2001 to April 2019 prior to joining Hand & Stone.

**Senior Vice President of Operations: Meghan Lally**

Ms. Lally has been with Hand and Stone since 2010 in various Operations Support roles and was promoted on October 1, 2022, to Senior Vice President, Franchise Operations.

**Director of Massage Training: Nathan Nordstrom**

Mr. Nordstrom joined Hand and Stone in February 2018 as our Director of Massage Therapy. Mr. Nordstrom became a licensed massage therapist in 2001. From 2001 until 2018, Mr. Nordstrom owned and operated a massage training company Educated Touch from Oakesdale, Washington. From October 2012 until September 2015, he also served as Massage program Director at Virginia College in Savannah, Georgia.

**Senior Vice President of Real Estate: Kris Smith**

Mr. Smith has been our Vice President of Real Estate since May 2014.

**Senior Vice President of Service & Product: Lisa Rossmann**

Ms. Rossmann joined us in 2012, starting off in General Operations. From 2016 until 2021, she served as Director of Esthetics and then VP of Brand Experience. Today, she oversees the Service & Product Department.

**Director of Compliance, John Gorman,**

John joined Hand and Stone as Director of Compliance in February 2022. Prior to Hand and Stone, John was a sworn law enforcement officer with the New Jersey State Police for 25+ years where he retired as captain in charge of the statewide cyber and high-tech investigation and response mission.

**Chairman of the Board: Todd Leff**

Mr. Leff has been our chairman since August 2021. From July 2009 until August 2020, Mr. Leff also served as our President and CEO and then served as our CEO until August 2021. Mr. Leff is a licensed attorney in the Commonwealth of Pennsylvania.

**ITEM 3  
LITIGATION**

**Pending Matters**

None

**Prior Actions**

**Joseph Muti, et al. v. Hand and Stone Franchise Corp., American Arbitration Association, Case No. 01-17-**

0003-0067. On May 22, 2017, Joseph Muti, Cydney Muti and Egress 5, Inc. (collectively, “Claimants”) filed a Demand for Arbitration against Hand and Stone Franchise Corp. (“Hand and Stone”). Claimants, former franchisees, asserted claims of breach of contract, fraud, negligent misrepresentation, unjust enrichment, violation of the Federal Trade Commission Franchise Rule, violation of the New Jersey Consumer Fraud Act, violation of the New Jersey Franchise Practices Act, violation of the Illinois Franchise Disclosure Act and Violation of the New Jersey Truth in Consumer Contract Warranty and Notice Act and are sought to rescind the franchise agreement and monetary damages. Claimants’ claims stem from Mr. Muti’s purchase of a Hand and Stone franchise and the franchise agreement between the parties. Hand and Stone filed an Answer to the Demand for Arbitration denying all claims and a Counterclaim for breach of contract. On April 6, 2018, the parties settled this matter whereby Hand and Stone agreed to purchase Claimants’ Hand and Stone franchise for \$380,000. In addition, Hand and Stone agreed to assume certain debts related to the operation of Claimant’s franchise in the amount of \$280,000. Claimants agreed to certain non-competition and non-solicitation agreements and the transfer of undeveloped territory to Hand and Stone.

Other than the above matters, no other litigation 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**

##### **Franchise Agreement**

The initial franchise fee for your first HAND AND STONE MASSAGE AND FACIAL SPA franchise is \$49,500 and \$32,500 for each additional franchise. The initial franchise fee is paid in a lump sum when you sign the Franchise Agreement and it is not refundable under any conditions. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as stated in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. In 2022 the lowest franchise fee was \$15,000 which represented an incentive program for an existing owner in a new market.

We participate in the International Franchise Association’s VetFran Program and provide for a discounted Initial Franchise Fee for individuals honorably discharged from military service. Currently, we provide a 20% discount of the Initial Franchise Fee in connection with our participation in the VetFran program. This discount may be changed or discontinued at our discretion.

##### **Initial Purchases**

Before you open your HAND AND STONE franchise, you must purchase certain furniture, fixtures and equipment from us. We estimate that these items will cost approximately \$6,000 and it is not refundable under any conditions. You must also pay us a Connectivity Fee of \$2,500 for which you will be connected to all Hand and Stone technology such as the Point-of-Sale System, website and online appointment setting platform. The Connectivity Fee is not refundable.

You must pay us the money to be spent on your grand opening advertising campaign. Our subsidiary, Advertising Agency, will conduct the grand opening advertising campaign on your behalf. The cost of the grand opening advertising campaign is \$10,000. This is not refundable.

There are no other payments to or purchases from us or our affiliates that you must make before your Franchised Business opens.

**ITEM 6**  
**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	5% of Gross Sales for the first 52 weeks of operation, then 6% of Gross Sales thereafter.	Weekly	See definition of Gross Sales. <sup>1</sup> (Section 3.2) *
Renewal Fees	25% of Current Initial Franchise Fee	Before renewal	You must satisfy all renewal requirements; payable before renewal of the agreement (Section 4.2)
Marketing Fund Contribution	1% of Gross Sales	Weekly, with the Royalty Fee	The Marketing Fund is described in Item 11
Local Advertising Fee	4% of Gross Sales (with a minimum amount of \$400 per week).	Weekly, with the Royalty Fee	See Item 11. (Section 11.2)
Audit Expenses	All costs and expenses associated with audit.	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due of at least 3%. (Section 12.6)
Late Fees	18% per year or the highest rate allowed by law, whichever is less.	Upon demand	Applies to all overdue Royalty Fees, Marketing Fund Contributions, Local Advertising Fees and other amounts due to us. (Section 3.7) Also applies to any understatement in amounts due revealed by an audit. (Section 12.6)
Approval of Products or Suppliers	All reasonable costs of evaluation, not to exceed \$500.	Time of evaluation	Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved. (Section 13.1)

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies.	Upon demand	Payable only if you fail to maintain required insurance coverage and we obtain coverage for you. (Section 15.5)
Transfer Fee	50% of the initial franchise fee at the time of transfer.	At the time of transfer	Does not apply to an assignment to a Controlled Entity under Section 18.3 of the Franchise Agreement. (Section 18.2)
Onsite Transfer Training Fee	\$1,850 plus travel expenses for trainers, subject to change	At time of transfer	We will provide for new franchisees buying an existing spa onsite training of one (1) day of lead massage therapist training; one (1) day of lead esthetician training; and two (2) days of front desk training. To be paid by transferee. (Section 18.2)
System Modifications	All costs and expenses of modifications.	As required	If we decide to modify the System by requiring new equipment, fixtures, software, trademarks, etc., you must make the modifications at your expense. (Section 10.3)
Relocation Assistance	\$1,000-\$3,000.	Time of assistance	We will charge you for relocation assistance if you request it and we agree to provide it. (Section 5.6)
Architectural Fee	\$8,500 - \$10,400	Upon Demand	If you choose to use our in-house design company for your architectural drawings and other design services. (Section 5.3). If you used an approved architect, we must review their plans and will charge for the supervisory services. Our charge to review an architect's plans will not exceed \$1,500.
Customer Service	All costs incurred in assisting your customers.	Upon demand	You must reimburse us if we determine it is necessary for us to provide service directly to your customers. (Section 13.8)

Type of Fee	Amount	Due Date	Remarks
Ongoing Training Programs	You must pay your expenses as well as your employees' expenses in attending as well as any reasonable program fees. Refresher training will be approximately \$150 per day.	Time of program	Attendance will not be required more than two times per year and collectively will not exceed seven days in any year. You must pay travel costs and living expenses. We may charge a reasonable fee for these ongoing training programs. (Section 8.5)
Additional Training	Rates as published in the Manual; currently, \$350 per day and your expenses as well as your employees' expenses in attending.	Time of service	For new locations, we provide approximately two weeks of pre-opening training for you and three additional assistants, and provide your Therapists with an initial massage protocol training program lasting approximately two days. You pay for additional training if you request it. You are also responsible for travel and living costs. (Section 8.1)
Additional Operations Assistance	Rates as published in the Manual, currently, \$350 per day, plus our expenses.	Time of assistance	We provide approximately five days of assistance around the beginning of operations. You pay for additional assistance if you request it. (Section 8.2)
Indemnification	All costs including attorneys' fees.	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Business. (Section 20.3)
Computer Software Maintenance and Support/Cyber Insurance Fee	\$616 Monthly Subscription and Support Fee, and \$35 per month for cyber insurance. All fees above are subject to change.	Upon demand	You must pay an ongoing monthly software subscription and support for the Zenoti POS and related software. You must pay for cyber insurance coverage we provide or secure your own policy. (Section 12.5)
Liquidated Damages	See note 2		

Type of Fee	Amount	Due Date	Remarks
Post-Termination and Post-Expiration Expenses <sup>3</sup>	Costs and expenses associated with ceasing operations and de-identifying yourself from the Store and our System	As incurred.	
Gift Card and Rewards Program and Membership Program	Will vary	Will vary	You must participate in our gift card program, Rewards Program and membership program. Gift cards are available for sale through our website and at all Hand and Stone Massage and Facial Spas in the System. Gift cards, Rewards Points and membership benefits may be redeemed at any Hand and Stone Massage and Facial Spa in the System, regardless of where they were purchased (Section 13.12)
Computer hardware and software upgrades.	The current annual cost is approximately \$1,000, subject to change.		You must update or upgrade the computer hardware and software as necessary.
Accounting Firm Fee	Then current fee, currently \$400 per month.	As incurred	See Note 4.

No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any other third party. All fees are nonrefundable.

**NOTES:**

1. “Gross Sales” means the aggregate of all revenue collected from the sale of products, gift cards, barter or exchange, complimentary services and services from all sources in connection with the Franchised Business whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that you collect and pay to any governmental taxing authority, and the value of any allowance issued or granted to any of your customers that you credit in full or partial satisfaction of the price of any products and services offered by the Franchised Business. (Section 1)

2. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you were assessed during the 12 months of operation preceding the effective date of termination multiplied by (a) 36 (being the number of months in three full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower. (Section 17.7). The liquidated damages only cover our



damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our Marks, Confidential Information, reputation with the public and landlords and damages arising from a violation of any provision of the Franchise Agreement other than the Royalty Fee section. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of the Franchise Agreement other than the Royalty Fee provisions.

3. Upon termination, rescission, expiration, non-renewal, and/or transfer of the Franchise Agreement, you are responsible for the costs associated with de-identifying yourself and the Franchised Business from the Hand and Stone System. You must also comply with your post term covenants against competition discussed in Item 17.

4. To ensure that you have accurate financial records and reporting, during the first year of the term of the Franchise Agreement, or until you demonstrate a proficiency in preparing and submitting to us correct financial statements of the Franchised Business' operations, we require you to use the services of one of our designated and preferred accounting firms (the "Accounting Firm"). The Accounting Firm will gather weekly transactional information from your Franchised Business and enter such information into its accounting software, reconcile monthly cash and credit card activity, produce monthly financial statements for the Franchised Business, perform bank reconciliations, calculate sales taxes and prepare K-1s.. You are required to pay the Accounting Firm's then current monthly fee (the "Accounting Fees") and the Accounting Fees are subject to future increases. We can require you to use the Accounting Firm and pay the Accounting Fees at any time during the term in the event that you fail to provide us with accurate financial statements.

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

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Franchise Fee <sup>1</sup>	\$32,500 - \$49,500	Cashier's Check	Upon Signing Franchise Agreement	Us
Deposits (Rent, Utilities) <sup>2,3</sup>	\$13,917 - \$15,870	As Arranged	Before Beginning Operations	Third Parties
Leasehold Improvements <sup>4</sup>	\$299,082 - \$358,164	As Arranged	Before Beginning Operations	Third Parties
Furniture, Fixtures & Equipment <sup>5</sup>	\$35,803 - \$58,508	As Arranged	Before Beginning Operations	Us and Third Parties
Computer/POS System <sup>6</sup>	\$8,376 - \$18,160	As Arranged	Before Beginning Operations	Third Parties
Connectivity Fee <sup>7</sup>	\$2,500	As Arranged	Upon Signing Franchise Agreement	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Insurance <sup>8</sup>	\$1,500 - \$2,500	As Arranged	Before Beginning Operations	Third Parties
Office Equipment and Supplies <sup>9</sup>	\$3,771 - \$9,636	As Arranged	Before Beginning Operations	Approved Suppliers
Camera/Music System <sup>10</sup>	\$10,492 - \$16,838	As Arranged	Before Beginning Operations	Approved Suppliers
Initial Inventory <sup>11</sup>	\$11,139 - \$13,980	As Arranged	Before Beginning Operations	Approved Suppliers
Other Pre-Opening Expenses (Travel, Grand Opening) <sup>12,14</sup>	\$11,000 - \$12,000	As Arranged	Before Beginning Operations	Third Parties, Us
Signage <sup>13</sup>	\$10,124 - \$19,839	As Arranged	Before Beginning Operations	Third Parties
Licenses, Permits and Architectural Fees <sup>15</sup>	\$11,937 - \$17,366	As Arranged	Before Beginning Operations	Licensing Authority, and Third Parties or Us
Legal & Accounting <sup>16</sup>	\$4,500 - \$6,300	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds <sup>18</sup> (9 months)	\$70,000 - \$90,000	As Arranged	As Necessary	You Determine
<b>TOTAL INVESTMENT<sup>19</sup></b>	<b>\$526,791-\$691,311</b>			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable.

We do not finance any portion of your initial investment.

#### NOTES

1. Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Disclosure Document.
2. Real Estate. This range provides estimated amounts for one month's security deposit plus one month's prepaid rent on a triple-net lease in your first year. You must lease or otherwise provide a suitable facility for the operation of the Franchised Business. Typically, a HAND AND STONE franchise will be located within a strip mall or shopping center and should be approximately 2,200-

- 3,200 square feet. Lease costs will vary based upon the square footage leased, the cost per square foot, your geographic area and the required maintenance costs. We assume you will have to pay the first month's rent and a security deposit equal to one month's rent in advance. The amounts you pay are typically not refundable, but in certain circumstances the security deposit may be.
3. Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of deposit will vary depending upon the policies of the local utilities.
  4. Leasehold Improvements. The facility must be renovated according to our standards and specifications. The cost of the leasehold improvements will vary depending upon the size of the facility you lease, the location of the Franchised Business, local wage rates, whether union labor is required, and the cost of materials. Landlord may provide partial build-out allowance, and this estimate assumes a tenant improvement allowance of between \$81,110 and \$152,131. This category includes non-movable millwork and retail tables. The estimates above are based upon most recently completed projects which include both union and non-union labor. You may or may not receive a landlord tenant improvement allowance, or the allowance may come in the manner of free rent or some other capital allocation offset.
  5. Furniture, Fixtures & Equipment. You must purchase (or lease) office and reception area furniture, massage tables, water feature, artwork and equipment necessary for providing the various services offered by HAND AND STONE MASSAGE AND FACIAL SPAS. Although some of these items may be leased, the range shown represents an estimated purchase price.
  6. Computer/POS System. You must purchase and install our specified point-of-sale system, which is described in detail in ITEM 11.
  7. Connectivity Fee. You must pay an initial fee of \$2,500 for connection to the Hand and Stone Technology, which is described in detail in Item 11 and Section 12.5 of the Franchise Agreement.
  8. Insurance. You must purchase the type and amount of insurance specified in Section 15 of the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or your landlord. The initial payment shown above represents 25% of the estimated annual premium which is typically paid prior to opening.
  9. Office Equipment and Supplies. You must purchase general office supplies including stationery and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors.
  10. Camera and Music System. You must purchase and install a camera and music system. The cost of the system and its installation will vary based on competition among suppliers, local wage rates and other factors.
  11. Initial Inventory. You must carry an inventory of bags, tissue paper and other packaging goods, plus products for retail sale, such as massage oils, candles, and facial products. The cost of these items may vary based on manufacturers' discounts and specials at the time of purchase and other factors.
  12. Travel Expenses. The cost of initial training is included in the Franchise Fee, but you must pay transportation and expenses for meals and lodging while attending training. The total cost will vary

depending on the number of people attending, how far you travel and the type of accommodations you choose.

13. Signage. This range includes the cost of all signage used in the Franchised Business. The signage requirements and costs will vary based upon the size and location of the Franchised Business, local zoning requirements, landlord specifications and local wage rates for installation.
14. Grand Opening. You must spend a minimum of \$10,000 on Grand Opening Advertising. You must pay this money to us, and our Advertising Agency will conduct your Grand Opening Advertising campaign on your behalf. In addition, you are required to provide approximately \$2,500 in complimentary services during the Grand Opening event.
15. Licenses, Permits and Architectural Fees. Local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses. You must use HS Design or an approved architect. If you used an approved architect, we must review their plans and will charge for the supervisory services. Our charge to review an architect's plans will not exceed \$500. Your actual costs may vary based on the requirements of local government agencies.
16. Legal & Accounting. You will need to employ an attorney, an accountant and other consultants of your choosing to assist you in reviewing the franchise agreement and in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.
17. Additional Funds. We recommend that you have a minimum amount of working capital available to cover operating expenses, including employees' salaries, for the first 9 months that the Franchised Business is open. However, we cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high.
18. Total. In compiling this chart, we relied on our 18 years of franchising experience, including the most recently completed projects. The amounts shown are estimates only and may vary for many reasons including the size of the facility you lease, the capabilities of your management team, where you locate your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the Franchised Business. The costs outlined in this Item 7 are not intended to be a forecast of the actual cost to you or to any particular franchisee.

We do not offer, either directly or indirectly, financing to franchisees for any items.

## **ITEM 8** **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

Except as indicated below, you are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of the Franchised Business from us or our designees.

### Specifications

You must remodel, furnish and equip the Franchised Business according to our standards and specifications in accordance with the Operations Manual. Many of the products, supplies and services needed in connection with establishing your Franchised Business, such as massage tables, river stones,

heaters, fixtures, reception area furniture, paper goods and retail products inventory, computer hardware and software and signs, must meet our specifications for appearance, quality, performance and functionality. Additionally, some of the products, supplies and services needed in connection with the ongoing operation of your Franchised Business, such as paper goods and retail products inventory, gift cards, advertising materials, stationery, software licenses, point-of-sale system or computer services and business insurance, for example, must meet our specifications for appearance, quality, performance and functionality. We list the specifications for these items and services in the Manual or in other written or electronic communications provided to you. We formulate and modify our specifications for products, supplies and services based upon our and our Affiliate's industry knowledge and our Affiliate's experience in developing and operating as HAND AND STONE spas.

### Approved Suppliers

The products, supplies and services discussed above may only be purchased from Approved Suppliers in accordance with the Manual. We will provide you with a list of these items and services and their Approved Suppliers, which may include or be limited to us or an Affiliate. Our list of Approved Suppliers is contained in our Manual and is subject to change occasionally. We are an Approved Supplier of certain items you must purchase, including massage tables, water feature, artwork, stone kits, counter fixtures, cabinetry, printed materials, logo items (uniforms, packaging supplies and other items bearing the Marks), and HS Design for architectural services, but we may approve alternate suppliers if appropriate.

Our subsidiary Advertising Agency is the only approved supplier for expending the Local Advertising Fee, however, franchisees may use other agencies for expanding advertising above the required Local Advertising Fee. Advertising Agency and HS Design are solely owned by us. The following officers have an ownership interest in us, and we are an approved supplier of certain items: Todd Leff, John Teza, Scott Brennan, Jack Bachinsky, Cindy Meiskin, Lisa Rossmann, Kris Smith, Meghan Lally, and Brock Clayton. There are no other approved suppliers in which any of our officers owns an interest. HS Hamilton Spa is not an Approved Supplier of any item.

In the fiscal year ended December 31, 2022, we derived \$35,165,086 (or 35%) of our total gross revenues of \$100,609,105 from required franchisee purchases and leases. In the fiscal year ended December 31, 2022, Advertising Agency derived \$4,481,722 from commissions on the placement of the required Local Advertising Fees and additional voluntary local advertising contributions. Additionally, Advertising Agency earned commissions totaling \$448,172 from the placement of required Marketing Fund contributions.

If you want to use any item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our Approved Supplier criteria. You must reimburse us for all of our reasonable expenses in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality.

### Miscellaneous

For the products you purchase from us or our Affiliates, we or our Affiliate will include a reasonable markup in the price to compensate us for the time and effort involved in providing these products. We may also negotiate group rates, including price terms, for the purchase of equipment, inventory and supplies necessary for the operation of the Franchised Business. Presently, there are no purchasing or distribution cooperatives that you must join. We will receive rebates, discounts or other financial benefits from Approved Suppliers, or any other suppliers based on our franchisees' purchase of goods or services.

Rebates paid by Approved Suppliers range between 2% to 20% of sales to the System or are based on a flat amount per individual franchisee purchase. During the year ended December 31, 2022, we earned rebates totaling \$3,553,660 or 3.5% of our total revenues.

If you want to use any item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our Approved Supplier criteria. You must reimburse us for all of our reasonable expenses in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality.

Our Advertising Agency may also earn rebates, commissions or other payments based on advertising activities, including from the Marketing Fund, local advertising and grand opening advertising. If the Advertising Agency earns these rebates, commission or other payments, there is no restriction on our Advertising Agency regarding the use of those funds, and the Advertising Agency may keep these rebates, commissions or other payments as profit.

We estimate that approximately between 70% and 80% of your expenditures for purchases in establishing your Franchised Business will be for goods and services that must be purchased from either us or an Approved Supplier or in accordance with our standards and specifications. We estimate that approximately between 70% and 80% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either us or an Approved Supplier, or in accordance with our standards and specifications.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional HAND AND STONE spas) based on whether or not you purchase through the sources we designate or approve; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us to terminate the Franchise Agreement.

### Insurance

You must procure within sixty (60) days of the Effective Date of the Franchise Agreement and maintain in full force and effect during its term, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name us as an additional insured and all shall contain a waiver of all subrogation rights against us and our successors and assigns. No such insurance shall have a deductible or self-insured retention in excess of Five Thousand Dollars (\$5,000.00). In addition to any other insurance that may be required by applicable law, or by lender or lessor, you shall procure:

(a) "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Your property

insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

(b) workers' compensation insurance that complies with the statutory requirements of the state in which your Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

(c) comprehensive General Liability Insurance, Professional Liability Insurance, and Employment Practices Liability Insurance (EPLI) against claims for bodily and personal injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or THREE MILLION DOLLARS (\$3,000,000.00) in the aggregate for Professional Liability and General Liability and a minimum liability coverage of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) per occurrence and in the aggregate for EPLI or, if higher, the statutory minimum limit required by state law and coverage for sexual abuse with a minimum sublimit of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) per occurrence or FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) in the aggregate;

(d) automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law;

(e) cyber insurance against claims for privacy and cyber security breaches against the Franchised Business with a minimum coverage of TWO MILLION DOLLARS (\$2,000,000.00); and

(f) such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3 of the Franchise Agreement.

We have the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances. Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. As may be required in the Manual, we have the right to require Franchisee's participation in any group insurance established or approved by us for Franchisees that meets any of the requirements. You must provide, annually, or more frequently if requested, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days' prior written notice to us and shall reflect proof of payment of premiums. Should you not procure and maintain the above insurance coverage, we have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to you, which charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, shall be payable by you immediately upon notice.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in the Franchise Agreement</b>	<b>Item in the Disclosure Document</b>
a. Site selection and acquisition of lease	Sections 2.2, 2.3, 5.1, 5.2, and Exhibit A	Items 11 and 12
b. Pre-opening Purchases/leases	Sections 5, 13 and 15	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 5.4 and 8	Items 7, 8 and 11
d. Initial and ongoing training	Section 8	Items 6, 7 and 11
e. Opening	Sections 5, 8, and 11	Item 11
f. Fees	Section 3	Items 5, 6 and 7
g. Compliance with standards & policies/Operating Manual.	Sections 5, 6, 9, 10, and 13	Items 8 and 16
h. Trademarks and Proprietary information	Sections 6, 7, and 9	Items 13 and 14
i. Restrictions on sources of product and services	Sections 5, 6, 9 and 13	Items 8 and 16
j. Warranty and customer service requirements	Section 13	Item 16
k. Territorial development	None	Item 12
l. Ongoing product/service purchases	Section 13	Items 8 and 11
m. Maintenance, appearance & remodeling requirements	Sections 5, 10 and 13.3	Item 6
n. Insurance	Section 15	Items 6, 7 and 8
o. Advertising	Section 11	Items 6 and 11
p. Indemnification	Section 20.3 and 20.5	Item 6
q. Owner's participation/management/ staffing	Section 13	Item 15
r. Records/reports	Section 12	Item 11
s. Inspections/audits	Sections 6.6 and 12.6	Item 6, 11 and 13
t. Transfer	Section 18	Item 17
u. Renewal	Section 4.2	Item 17
v. Post-termination obligations	Section 17	Item 17



	<b>Obligation</b>	<b>Section in the Franchise Agreement</b>	<b>Item in the Disclosure Document</b>
w.	Non-competition	Sections 7.3, 7.4 and 17	Item 17
x.	Dispute resolution	Section 22	Item 17
y.	Liquidated damages	Section 17.7	Item 6

**ITEM 10**  
**FINANCING**

We do not offer direct or indirect financing, nor do we guaranty your notes, leases or other obligations.

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

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

A. Before the Franchised Business Opens

Before you open your Franchised Business, we or a Regional Developer (if one exists for your area) will

1. designate your Protected Territory, as further described in ITEM 12. (Section 2.52.)
2. if we have not already approved a site that you have selected before signing the Franchise Agreement, provide you with our criteria for site selection and approve the site you have selected for the location of the Franchised Business. (Sections 2.5 and 5.1)

We make no representations that your Franchised Business will be profitable or successful by being located at the approved location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

3. review and approve your lease or purchase agreement for the site for the Approved Location. (Sections 5.1 and 5.2). Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises. We require that you have your own counsel review your lease prior to signing.
4. provide you with standard plans and specifications for the build-out of the Franchised Business along with a list of required supplies, equipment and improvements which you must purchase and install. (Section 5.3)
5. provide you with an initial training program lasting approximately two weeks and provide you and your Therapists with an initial massage protocol-training. (Section 8.1)
6. provide to you on-site assistance and guidance for approximately five days to assist you with the opening of the Franchised Business. (Section 8.2)
7. provide to you, on loan, one copy of the HAND AND STONE MASSAGE AND FACIAL SPA

Operations Manual, or grant you access to an electronic copy of the Manual. The Table of Contents of the Operations Manual, along with number of pages devoted to each section, is included as Exhibit B to this Disclosure Document. The Operations Manual is a total of 302 pages. (Section 9.1)

8. Have our Advertising Agency plan your Grand Opening Advertising campaign, at your cost. (Section 11)

**B. Other Assistance During the Operation of The Franchised Business**

After the opening of the Franchised Business, we or a Regional Developer (if there is one for your area) will.

1. periodically advise you and offer you general guidance by telephone, e-mail, facsimile, newsletters and other methods. Our guidance is based on our industry experience and our Affiliate's experience in operating HAND AND STONE spas. The advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Section 14.12)

2. at our discretion, periodically visit the Franchised Business to advise, assist and guide you in various aspects of the operation and management of the Franchised Business. We may prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Business and detail any deficiencies that become evident as a result of any visit. If we prepare a report, you may request a copy from us. (Section 14.23)

3. make available to you operations assistance and ongoing training as we deem necessary. (Sections 8.2 and 8.5)

4. make available to you changes and additions to the System as generally made available to all franchisees. (Section 14.3)

5. periodically provide formats for advertising and promotional materials including ad-slicks, brochures, fliers and other materials for you to produce and use. (Section 14.4)

6. have our Advertising Agency conduct your Grand Opening Advertising campaign and approve the forms of advertising materials you will use for Local Advertising. (Section 11)

7. provide you with modifications to the Manual as they are made available to franchisees. (Section 9.2)

**C. Advertising and Promotion**

1. All advertising and promotion are conducted by our Advertising Agency. Each week, you must pay to us 4% of your Gross Sales (with a minimum payment of \$400.00 weekly) (the "Local Advertising Fee"), which is payable at the same time and in the same manner as the Royalty Fee, which our Advertising Agency will use for advertising, promotions and public relations in the Designated Market Area ("DMA") as determined by Nielsen Media Research in which your Franchised Business is located. Each quarter, upon written request, our Advertising Agency will give you an accounting of the last quarter's advertising activities from your local advertising payments. (Section 11.2). You must also prominently display franchise brochures that we provide, at our cost, in your location to solicit prospective franchisees. All decisions regarding the selection of the particular media and the advertising content, whether paid for

through the Local Advertising Fee or paid for by you directly, shall be within the sole discretion of Franchisor and the Advertising Agency and subject to our approval.

2. We maintain a System-wide Marketing Fund, and you must contribute 1% of your Gross Sales to the Marketing Fund, which is payable at the same time and in the same manner as the Royalty Fee. (Section 11.3). Our Advertising Agency will administer the Marketing Fund as follows:

a) We will control the creative concepts and the materials and media to be used, and our Advertising Agency will determine the placement and allocation of advertisements. Our Advertising Agency may use print, television, radio, Internet or other media for advertisements and promotions. Our Advertising Agency does not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Marketing Fund.

b) Our Advertising Agency may use your contributions to meet any cost of, or reimburse itself for its cost of, researching, producing, maintaining, administering and directing consumer or recruiting advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations and social media and reputation management activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies or its own personnel to assist; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). Our Advertising Agency reserves the right to use an outside ad agency or public relations firm. We have no franchisee advertising council. We will not use the Marketing Fund or Local Advertising Fees for any of our general operating expenses, except for our reasonable administrative costs and overhead related to the administration of the Marketing Fund. Our Advertising Agency will not use Marketing Fund Contributions for the direct solicitation of franchise sales but reserves the right to include a notation in any advertisement indicating “Franchises Available.” In the fiscal year ended December 31, 2022, the National Fund contributions were expended as follows: Production 5.7%; Media Placement 76.4%; Internet and Communications 3.2%; Administrative Expenses 5.4 %; Consumer Research 4.8%; Public Relations and Social Media 4.5%.

c) Our Advertising Agency expects to use all contributions in the fiscal year they are made. It will use any interest or other earnings of the Marketing Fund before using current contributions. We intend for the Marketing Fund to be perpetual, but we and our Advertising Agency have the right to terminate it if necessary. The Marketing Fund will not be terminated until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a *pro rata* basis.

d) All HAND AND STONE spas owned by our Affiliates or us will make similar contributions to the Marketing Fund as required of franchisees.

e) An accounting of the Marketing Fund will be prepared each year and will be provided to you if you request it. The annual accounting may be audited by an independent certified public accountant at the expense of the Marketing Fund.

f) The Marketing Fund is not a trust and neither we nor our Advertising Agency assume any fiduciary duty in administering the Marketing Fund.

g) Our Advertising Agency may from time to time, in its sole discretion, contract for advertising at your Franchised Business in excess of the Local Advertising Fees that have been charged under your Franchise Agreement as of a given date. Should your Franchise Agreement terminate for any reason as of a date when you have an excess commitment of advertising monies, you shall be liable to us for the full amount of the over expenditure.

h) There are currently no local or regional cooperatives in existence, and you are not required to join or participate in any local or regional cooperatives.

3. You must pay \$10,000 to us for Grand Opening Advertising to promote the opening of your Franchised Business. Our Advertising Agency will conduct the Grand Opening Advertising Campaign on your behalf, including print or news media or direct mail advertising, or other solicitation and promotional efforts. (Section 11.1). In addition, you are currently required to provide approximately \$2,000 in complimentary services during the Grand Opening event.

4. All telephone numbers you use in your Franchised Business will be owned by us. We will be listed as the owner of the numbers, and you will be listed as the billing party. You must sign any documents we require acknowledging our ownership of the telephone numbers, and upon expiration or termination of your Franchise Agreement, the telephone numbers will remain our property.

D. Computer/Point-of- Sale (POS) System

Computer/Point-of- Sale (POS) System

You shall purchase, install and use computers, mobile devices, internet accessibility equipment, network componentry, a franchise relationship management system and a point-of-sale system consisting of hardware and software in accordance with our specifications and shall upgrade such systems in accordance with our requirements in order to use the System (hereinafter “Hand and Stone Technology”).

The point-of-sale computer hardware and software programs and point of sale equipment that you must purchase costs approximately \$17,600 (Section 12.5)

Our current minimum hardware purchase requirement includes:

- 4 (Station 1, Station 2, Breakroom, Office) Dell, 12GB Memory, Windows 10 Professional 64-bit, 22 in. LCD Flat Panel Monitor with 3-yr Limited Warranty 3-yr 7x24 Support with Next Business Day On-site Warranty. 4 iPad (8<sup>th</sup> generation) tablets with 10.2” display, 32GB memory
  - 2 Non intelligent cash drawers
  - 2 Barcode Scanners
  - 2 TSP 100 Thermal Receipt Printers

Your software purchase requirement includes 1 Microsoft Office License for the Office computer, and Avast Antivirus 1-year subscription for the workstations. You must also sign up for an account with Worldpay/Vantiv Payment Services (our preferred payment processing solution) or an account with Zenoti Payments (an alternative solution offered through Zenoti) for credit card and membership billing. Credit card readers are purchased directly through our payment processors.

The above specifications are subject to change without prior notice. You must take all steps, including but not limited to those related to visibility and management of your Franchised Business, that are necessary to ensure that your Franchised Business is compliant with all Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)).

You must pay us an initial fee of Two thousand five hundred dollars (\$2,500.00) for connection to the Hand and Stone Technology (hereinafter “Connectivity Fee”). The Connectivity Fee shall be paid at the time of the Initial Franchise Fee. We shall establish accounts and connectivity for you to the [handandstone.com](http://handandstone.com) website, on-site connectivity of computer equipment to the System, connectivity to

Hand and Stone online training programs, and connectivity to Hand and Stone consumer feedback platforms.

You must execute the sublicense agreement attached to the Franchise Agreement as Exhibit “J”, and purchase a subscription for the Zenoti POS and related software and support from us. The estimated cost of the Zenoti subscription and support services is approximately \$616 per month plus \$35 per month for cyber insurance, which is subject to change. We will provide the support in conjunction with Zenoti.

You must update or upgrade the computer hardware and software as necessary. The current annual cost is approximately \$1,000. You must use any hardware or software that we designate or develop. We have the right to independently access all information you collect or compile at any time without first notifying you. There are no limits on our direct access to your computer systems or data. (Section 12.5)

In addition to the fees set forth above, we reserve the right to require that you pay us or our designated (s) a fee (which may be collected monthly, quarterly, or annually) associated with maintaining any required computer hardware and software and any other present or future technology used now or in the future in the operation of Franchised Business, and such payment shall be made in the manner we or the designated vendor(s) prescribed, as applicable. (Section 12.5) We reserve the right to change the manner, scope, or manner of payment of the fee described in this Section, at any time upon providing reasonable notice to you, as changes are made to the System’s hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency.

E. Methods Used to Select the Location of the Franchised Business

If you have a potential site for the Franchised Business, you may propose the location for our consideration. Within 30 days, we may consent to the site after we have evaluated it. If you do not have a proposed site when you sign the Franchise Agreement, then you must find one within the Designated Area. The Designated Area is delineated for the sole purpose of site selection. You must obtain our written approval of the Franchised Business’s proposed site before you sign any lease, sublease or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. You must locate an approved site for the Franchised Business within the Designated Area within 180 days after the Effective Date of the Franchise Agreement (the “Site Selection Period”). If you fail to secure an acceptable site for the Franchised Business before the expiration of the Site Selection Period, we may terminate your Franchise Agreement. (Sections 2.3 and 5.1)

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics and population density of the surrounding area, proximity to other HAND AND STONE spas and other competitive businesses, traffic patterns, neighborhood characteristics, lease requirements, visibility, ease of access, available parking and other physical characteristics. We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time after receiving all requested information. You may not relocate the Franchised Business without our consent.

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a HAND AND STONE franchise is twelve months. You must open your Franchised Business and be operational not later than twelve months after signing the Franchise Agreement. In the event you fail to do so, we may terminate your Franchise Agreement. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and

delays in installation of equipment and fixtures. (Section 5.4). While reserving our right to terminate, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, your rights to establish the Franchised Business at the Approved Location, as well as your rights and interests in your Protected Territory, as outlined on Exhibit A of the Franchise Agreement, shall automatically expire and be null and void without any further notice to you. Thereafter, we may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within your Protected Territory. You will then need to come to an agreement with us as to where to locate your Franchised Business.

**G. Training**

We will conduct an initial training program that you and the Designated Manager must attend and complete to our satisfaction prior to opening. Although initial training is mandatory for the Designated Manager, it is also available for up to three additional assistants. Training will take place at our headquarters, or at another location we designate. We reserve the right to substitute any in-person training for virtual training at our discretion.

The initial training program is approximately two weeks long and covers the business and administrative aspects of the operation of a HAND AND STONE franchise including sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures, other operational issues and on-the-job training.

For new locations, we will also make an initial massage protocol training program available to you and your therapists, including your Lead Therapist. The Lead Therapist must complete to our satisfaction. The initial massage protocol training program is approximately two days long and includes classroom instruction pertaining to all massage protocols and training techniques.

If you replace your Designated Manager or Lead Therapist, your new Designated Manager or Lead Therapist must attend our training program. Although we do not charge for initial training, you may be charged fees, currently \$500 per day, for additional training of a new Designated Manager or Lead Therapist. You must train your own employees and other management personnel. (Section 8)

The instructional materials we use in our initial training program include our Operations Manual, Supplemental Materials, and other information that we believe is beneficial to our franchisees in the initial training program. Our initial training program consists of:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
In Spa Customer Service and Software Training	-	15	In an operating spa or Trevose, Pennsylvania
Welcome/Business Philosophy	2	-	Trevose, Pennsylvania
Pre-Opening	2.5	-	Trevose, Pennsylvania
Administrative/ Human Resources	3	-	Trevose, Pennsylvania
Hiring and Staffing	2	-	Trevose, Pennsylvania
Management	2	-	Trevose, Pennsylvania

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Daily Operations	3	-	Trevose, Pennsylvania
Software	4.5	-	Trevose, Pennsylvania
Front Desk Introduction and Customer Service	2	-	Trevose, Pennsylvania
Membership Program	3	-	Trevose, Pennsylvania
Sales	3	-	Trevose, Pennsylvania
Marketing	2	-	Trevose, Pennsylvania
Massage Therapist Interview Process	2	-	Trevose, Pennsylvania
Equipment and Supplies	2	-	Trevose, Pennsylvania
System Protocols	20	-	Trevose, Pennsylvania
On-Site Massage Therapist Training	-	15	Your Location
On-Site Sales Training	-	15	Your Location
On-Site Operational Training	-	40	Your Location
Risk Management and Inappropriate Behavior	2	-	Trevose, Pennsylvania
Facial Program in and Out of the Treatment Room	2	-	Trevose, Pennsylvania
<b>TOTALS</b>	<b>57</b>	<b>85</b>	

Our instructors and their years of experience within the industry and with the System are listed below. Our trainers may utilize other employees to assist them with all aspects of training.

<b>Instructor</b>	<b>Years of Experience in the Industry</b>	<b>Years of Experience with Us</b>
John Teza	26	3
Cindy Meiskin	22	11
Jennifer Durham	17	1
Jack Bachinsky	9	9
Nathan Nordstrom	22	5
Lisa Rossmann	14	11
Meghan Lally	16	16
Scott Brennan	10	10
Ronel Smack	14	8
John Gorman	1	1

If circumstances require, a substitute trainer may provide training. A substitute trainer will have a minimum of one-year experience in the massage industry. We also reserve the right to name additional trainers periodically. There are no limits on our right to assign a substitute to provide training.

Periodically we may require that previously trained and experienced franchisees, their managers, and/or employees attend refresher-training programs. Attendance at these programs will be at your sole expense; however, we will not require you to attend more than two of these programs in any calendar year and these programs will not collectively exceed seven days during any calendar year. (Section 8.5)

## **ITEM 12** **TERRITORY**

You must operate your Franchise at a location that we approve (the “Approved Location”) and you may not relocate without our written approval. We may allow you to relocate if the lease for the Approved Location expires or terminates without the fault of you, or if the Franchised Business’s premises are destroyed, condemned or otherwise rendered unusable, or for other reasons as we may agree upon with you in writing. Any such relocation shall be at your sole expense, and shall proceed in accordance with the site selection, lease, development and opening requirements as set forth in Sections 5.1 through 5.4 of the Franchise Agreement. We have no obligation to provide relocation assistance.

We will grant you a Protected Territory. Your Protected Territory will surround your Franchised Business and be an eight-minute drive time around your specific location. However, in highly dense areas such as “down town” areas and cities, the Protected Territory will be less than an eight-minute drive time.

We may also redefine or reduce the boundaries of your Protected Territory based on the following changes, which may include but not be limited to; demographics, population, demand for services, travel times and economic conditions. (Section 2.5). We have the right to offer HAND AND STONE franchises to others in the newly defined Protected Territory that does not encompass your Approved Location, provided, however you will be granted a first right of refusal to establish an additional franchise in the newly defined Protected Territory. You must be in full compliance and meet all requirements for new franchisees, including financial resources and human resources to manage an additional HAND AND STONE franchise. You will have 30 days after receiving notice of our intent to divide the newly defined Protected Territory and you must execute a new franchise agreement and pay the corresponding franchise fee within sixty (60) days thereafter.

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.

If you are in full compliance with the Franchise Agreement during its term, we will not establish, or license others to establish, a HAND AND STONE MASSAGE AND FACIAL SPA franchise within the Protected Territory.

You may not advertise on the Internet without our prior written consent. You are strictly prohibited from promoting your Franchised Business or using the Proprietary Marks in any manner on the Internet, including social and networking websites such as Facebook, LinkedIn, Instagram, Pinterest, Twitter, Groupon and YouTube, without our written permission.

You may sell our proprietary products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to shop in your Franchise. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media



and on television and radio that are targeted to customers and prospective customers located outside of your Protected Territory, without our permission. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale.

We and our affiliates may sell products under the Proprietary Marks within and outside your Protected Territory through any method of distribution other than a dedicated HAND AND STONE franchise, including sales through the channels of distribution as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Protected Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products (but not services) offered by a HAND AND STONE franchise calling for delivery in your Protected Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do so anywhere and at any time.

Except for the Spas operated by our affiliate, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Stores which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

While reserving our right to terminate the Franchise Agreement, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, your rights to establish the Franchised Business at the Approved Location, as well as your rights and interests in your Protected Territory, as outlined on Exhibit A of the Franchise Agreement, shall automatically expire and be null and void without any further notice to you. Thereafter, we may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within your Protected Territory. You will then need to come to an agreement with us as to where to locate your Franchised Business.

Except as stated above, there are no minimum sales, market penetration or other contingency that you must meet to maintain your rights to the Protected Territory.

**Rights We Retain:** Nevertheless, we retain the right, on behalf of ourselves or through affiliates, in our discretion, and without granting any rights to you, to:

(a) establish, own or operate, by ourselves or through affiliates, and license others to establish, own or operate, HAND AND STONE franchises outside of the Protected Territory;

(b) establish, own or operate, and license others to establish, own or operate, other businesses under other systems using other trademarks whether located or operating inside or outside of the Protected Territory;

(c) provide the services and sell any products authorized for HAND AND STONE franchises, whether now existing or developed in the future, using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies and Internet and catalog sales; provided, however, that no such services or products shall be sold by us or our Affiliates to any Competitive Business within the Protected Territory. You acknowledge that this Agreement grants you no rights: (i) to distribute such products or services as described in this Section; or (ii) to share in any of the proceeds received by any such party therefrom;

(d) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises in captive locations, including those locations within or outside of the Protected Territory, including college campuses, airports, or train stations;


(e) engage in any activities not expressly forbidden by the Franchise Agreement; and



(f) communicate directly with any of your customers for the purpose of monitoring your performance and compliance with the terms of the Franchise Agreement.

### **ITEM 13** **TRADEMARKS**

We grant our franchisees the right to operate HAND AND STONE franchises under the names “HAND AND STONE MASSAGE SPA” and “HAND AND STONE MASSAGE AND FACIAL SPA” which is the principal Mark used to identify our System of operation. You may also use any other current or future Mark to operate your Franchised Business that we designate in writing, including the logo on the front of this Disclosure Document and the trademarks listed below. By “Marks” we mean the trade names, trademarks, service marks and logos used to identify HAND AND STONE MASSAGE AND FACIAL SPAS.

As of the date of this Disclosure Document, we have registrations on the Principal Register and Supplemental Register of the U.S. Patent and Trademark Office (“PTO”) for the following Marks:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
HAND AND STONE ® (standard character mark)	3,101,296	June 6, 2006	Principal
HAND AND STONE MASSAGE SPA ® (standard character mark)	3,137,338	August 29, 2006	Supplemental
Hand and Stone Massage and Facial Spa®	3,684,708	September 15, 2009	Supplemental
Hand and Stone Massage and Facial Spa®	4,880,654	January 5, 2016	Principal
	4,907,601	March 1, 2016	Principal

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
	5,354,270	December 12, 2017	Principal
	5,354,264	December 12, 2017	Principal

There are currently no effective material determinations of the PTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; or pending material litigation involving the Marks. All applicable Section 8 & 15 Affidavits have been filed with the United States Patent and Trademark Office for the Trademarks and we will continue to do so at the proper time for the balance of the Trademarks.

To our knowledge, there are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which a HAND AND STONE franchise may be located.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any the proceeding. Our reimbursement does not include your expenses for

removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Business, but you may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site, website, or email using any domain name containing the words HAND AND STONE or any variation thereof without our prior written consent. You may not use the Marks as part of any advertisement on the Internet without our permission.

#### **ITEM 14**

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

No patents are material to the franchise. We own copyrights in the Manual, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

To our knowledge, there are currently no effective determinations of the U.S. Copyright Office or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain Trade Secrets and other Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a HAND AND STONE franchise. We will provide our Trade Secrets and other Confidential Information to you during training, in the Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Trade Secrets and other Confidential Information for the purpose of operating your Franchised Business. You may only divulge Trade Secrets and other Confidential Information to employees who must have access to it to operate the Franchised Business. You must enforce the confidentiality provisions as to your employees.

We have the right to require you (and any member of your immediate family or household), any holder of a legal or beneficial interest in you (if you are a legal entity), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to sign nondisclosure and non-competition agreements in a form the same as or like the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts

and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL**  
**OPERATION OF THE FRANCHISED BUSINESS**

The day-to-day affairs of the Franchised Business must always be under the direct full-time supervision of Franchisee or a Designated Manager. Your Designated Manager must attend and satisfactorily complete our initial training programs before opening the Franchised Business. You must keep us informed of the identity of your current Designated Manager.

As described in ITEM 14, we have the right to require you (and any member of your immediate family or household), any holder of a legal or beneficial interest in you (if you are a legal entity), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to sign nondisclosure and non-competition agreements in a form the same as or like the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

You will have sole authority and control over the day-to-day operations of the Franchised Business and your employees and/or independent contractors. (Section 13.14). You are solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will you or your employees be deemed to be our or our affiliates' employees.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer the massage, facial and spa services, retail products and membership and gift card programs we specify periodically, in strict accordance with our standards and specifications. You may not sell any services or products that we have not authorized, and you must discontinue offering any services, products or programs that we may, in our sole discretion, disapprove in writing at any time.

We may periodically change required or authorized services, products, or programs. There are no limits on our right to do so. If we modify the System, you may have to add or replace equipment, signs, and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

On a case-by-case basis, we may allow you or other HAND AND STONE franchisees to offer certain additional services, products or programs that are not otherwise part of the System. We will decide which franchisees can offer additional services based on test marketing, the franchisee's qualifications and operational history, differences in regional or local markets and other factors.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer, and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

**THE FRANCHISE RELATIONSHIP**

Provision	Section in the Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	You may renew for one additional term of 10 years, subject to (c) below.
c. Requirements for you to renew or extend	Section 4.1	You may renew the Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain possession of the Approved Location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us, have paid a renewal fee of \$5,000; are not currently in default of any provision of the Franchise Agreement or any other agreement between you and us and have not been in default more than twice during the term of the Franchise Agreement; have given timely written notice of your intent to renew; sign a then current Franchise Agreement; comply with current qualifications and training requirements; and sign a general release in favor of us and our affiliates in the form we prescribe. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same.
d. Termination by you	None	You do not have the contractual right to terminate the Franchise Agreement except as otherwise permitted by state law.

<b>Provision</b>	<b>Section in the Franchise Agreement</b>	<b>Summary</b>
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 16	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined - curable defaults	Section 16	You can avoid termination of the Franchise Agreement if you cure a default arising from your failure to comply with mandatory specifications in the Franchise Agreement or Operations Manual within 30 days of receiving our notice of termination or you cure a default arising from your failure to make payments due us within 5 days of receiving our notice of termination.
h. "Cause" defined - noncurable defaults	Section 16	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to establish and equip the Franchised Business; fail to satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Business; use the manual, Trade Secrets or Confidential Information in an unauthorized manner; abandon the Franchised Business for five consecutive days; surrender or transfer of control for Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of a Designated Manager if you die or become disabled; submit report on two or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use for the Marks; fail on two or more occasions within any 12 months to submit reports or records or to pay any fees due us or any Affiliate; violate any health, safety

Provision	Section in the Franchise Agreement	Summary
		or other laws or conducts the Franchised Business in a manner creating a health or safety hazard; fail to comply with any applicable law or regulation within 10 days of receiving notice of that failure; repeatedly breach the Franchise Agreement or fail comply with our mandatory specification; default under any other agreement between us and you.
i. Your obligations on termination/non-renewal	Section 17.1	If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any Trade Secrets, Confidential Information, the System and the Marks; if requested, assign your interest in the Approved Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual, Trade Secrets and all other Confidential Information; assign your telephone and facsimile numbers to us (if required by the telephone service provider); and comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by you definition	Section 18.2	"Transfer" includes transfer of ownership in the franchise, the Franchise Agreement, the Approved Location, the Franchised Business' assets or the franchisee entity.
l. Our approval of transfer by you	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for our approval of transfer	Section 18.2	We will consent to a transfer if: the proposed transfer is a least one year after the effective date of the Franchise Agreement; we have not exercised our



Provision	Section in the Franchise Agreement	Summary
		<p>right of first refusal; all obligation owed to us are paid; you and the transferee have signed a general release in favor of us and our affiliates in the form we prescribe; the prospective transferee meets our business and financial standards; the transferee and all persons owing any interest in the transferee sign then-current Franchise Agreement (which may have different material terms) as we determine; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee equal to 50% of the then current initial franchise fee; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; you must request that we provide the prospective transferee with our current form of disclosure document and we shall not be liable for any representations not included in the disclosure document; you or all of your equity owners have signed the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement; and the transferee has agreed that its Designated Manager will complete the initial training program before assuming management of the Franchised Business.</p>
<p>n. Our right of first refusal to acquire your Franchised Business</p>	<p>Section 19</p>	<p>We may match an offer for your Franchised Business or an ownership interest you propose to sell.</p>
<p>o. Our option to purchase your Franchised Business</p>	<p>Section 17.5</p>	<p>Except as described in (n) above, we do not have the rights to purchase your Franchised Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Business for book value.</p>

<b>Provision</b>	<b>Section in the Franchise Agreement</b>	<b>Summary</b>
p. Your death or disability	Section 18.6	If you (or one of your owners) die or become incapacitated, your representative must transfer, subject to the terms of the Franchise Agreement, your interest in the Franchised Business within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and household) and your officers, directors, executives, or designated managers are prohibited from: attempting to divert any business or customer of the Franchised Business to a Competitive Business or causing injury or prejudice to the Marks or the System; owning or working for a Competitive Business (subject to applicable state law).
r. Non-competition covenants after the franchise is terminate or expires	Section 17.2	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, or designated managers are prohibited from owning or working for a Competitive Business operation within 20 mile radius of the Approved Location or within the Protected Territory, if greater, or any other HAND AND STONE franchise; or soliciting or influencing any of our employees or business associates to compete with us or terminate their relationship with us (subject to applicable state law).
s. Modification of the agreement	Section 9.2 and 21.5	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 21.5	Only the terms of the franchise agreement are binding (subject to applicable state law). Any representations or promises outside of

Provision	Section in the Franchise Agreement	Summary
		the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 22.6, 22.7	Except for claims for injunctive relief, at our option, all claims or disputes between you and us must be submitted first to mediation in Philadelphia, Pennsylvania in accordance with the American Arbitration Association’s Commercial Mediation Rules then in effect and If mediation fails, to binding arbitration in Philadelphia, Pennsylvania (subject to state law).
v. Choice of forum	Section 22.6	Except for claims for injunctive relief, all disputes must be mediated or submitted to arbitration in Philadelphia, Pennsylvania (subject to state law).
w. Choice of law	Section 22.1	Pennsylvania law applies (subject to applicable state law).

See the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

This Item presents certain historical data as provided by our franchisees and our subsidiary owned outlets. We have not audited this information, nor independently verified this information. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request. The information contained in this Item is for the period January 1, 2022 through December 31, 2022 (the “2022 Calendar Year”).

As of December 31, 2022, we had 487 franchised outlets open in the United States and 14

subsidiary-owned outlets open in the United States (the “Subsidiary Outlets”). We, through our subsidiaries, acquired 10 of the 14 Subsidiary Outlets in the 2021 Calendar Year. One of the Subsidiary Outlets is located in New Jersey and the remaining 13 are located in Florida. All of the Subsidiary Outlets have been open for more than 24 months and are substantially similar to the franchise opportunity being offered under this Franchise Disclosure Document.

The following Outlets were excluded from the financial performance information presented in this Item 19: the 35 franchised outlets that were not open for a full twelve months as of December 31, 2022. The financial performance information presented in this Item 19 includes performance information for the remaining 452 franchised outlets that were open for at least 12 months as of December 31, 2022 (the “Franchised Outlets”) and the Subsidiary Outlets.

Table #1a presents the 2022 Calendar Year Average Gross Sales for the Subsidiary Outlets. Table #1b presents the 2022 Calendar Year Average Gross Sales for the Franchised Outlets, grouped by year of opening. Table #1c presents the combined 2022 Calendar Year Average Gross Sales for the Subsidiary Outlets and the Franchised Outlets represented in table #1b for a total of 466 locations.

Table #2a presents the 2022 Calendar Year Average Facial Sales Information, organized by year of opening, for the Subsidiary Outlets. Table #2b presents the 2022 Calendar Year Average Facial Sales Information, organized by year of opening, for the Franchised Outlets. Table #2c presents the combined 2022 Calendar Year Average Facial Sales Information, organized by year of opening, for the Subsidiary Outlets and the Franchised Outlets represented in table #2b for a total of 466 locations.

Table #3a presents the presents the 2022 Calendar Year Average Gift Card Sales Information for the Subsidiary Outlets. Table #3b presents the 2022 Calendar Year Average Gift Card Sales Information for the Franchised Outlets. Table #3c presents the combined 2022 Calendar Year Average Gift Card Sales Information for the Subsidiary Outlets and the Franchised Outlets represented in table #3b for a total of 466 locations.

Table #4 presents Average Size, First Year Gross Rent and Tenant Improvement Allowance for the thirty-five (35) United States franchised outlets that first opened for business in the 2022 Calendar Year.

Table #5 presents certain Corporate Spa Average Revenue and Expenses for 11 of the 14 Subsidiary Outlets for the 2022 Calendar Year. Three (3) of the fourteen (14) Subsidiary Outlets were excluded from the results presented in Table 5 because they were acquired by our affiliate in the 2022 Calendar Year and were not under affiliate ownership for at least twelve (12) months as of December 31, 2022.

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**Table #1a**  
**Average Gross Sales for Subsidiary Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2022 Average Members	Number Above/Below Average	% Above/Below Average	2022 Median Gross Sales	2022 Min Gross Sales	2022 Max Gross Sales
2009	1	1,686,844	n/a	n/a	1,871	n/a	n/a	1,686,844	1,686,844	1,686,844
2010	2	2,695,653	1/1	50/50	2,441	1/1	50/50	2,695,653	2,670,036	2,721,270
2011	1	3,288,793	n/a	n/a	2,970	n/a	n/a	3,288,793	3,288,793	3,288,793
2013	1	1,139,939	n/a	n/a	1,024	n/a	n/a	1,139,939	1,139,939	1,139,939
2014	2	1,903,887	1/1	50/50	1,772	1/1	50/50	1,903,887	1,612,989	2,194,785
2015	3	1,986,824	2/1	67/33	1,906	2/1	67/33	2,229,161	1,344,917	2,386,393
2016	1	1,525,294	n/a	n/a	1,444	n/a	n/a	1,525,294	1,525,294	1,525,294
2017	1	1,751,944	n/a	n/a	1,440	n/a	n/a	1,751,944	1,751,944	1,751,944
2018	1	1,678,288	n/a	n/a	1,358	n/a	n/a	1,678,288	1,678,288	1,678,288
2019	1	1,635,690	n/a	n/a	1,383	n/a	n/a	1,635,690	1,635,690	1,635,690
<b>Total*</b>	<b>14</b>	<b>1,990,453</b>	<b>11/3</b>	<b>79/21</b>	<b>1,831</b>	<b>11/3</b>	<b>79/21</b>	<b>1,719,394</b>	<b>1,139,939</b>	<b>3,288,793</b>

**Table #1b**  
**Average Gross Sales for Franchised Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2022 Average Members	Number Above/Below Average	% Above/Below Average	2022 Median Gross Sales	2022 Min Gross Sales	2022 Max Gross Sales
2008 and Prior	20	1,957,151	8/12	40/60	1,696	7/13	35/65	1,752,153	1,004,856	3,755,283
2009	6	2,185,862	2/4	33/67	1,898	2/4	33/67	2,066,685	1,337,118	3,782,049
2010	7	1,841,742	3/4	43/57	1,660	2/5	29/71	1,578,548	1,088,145	3,304,946
2011	22	1,652,339	10/12	45/55	1,534	10/12	45/55	1,537,262	808,394	2,991,757
2012	25	1,637,822	11/14	44/56	1,419	12/13	48/52	1,535,698	681,771	2,694,602
2013	42	1,429,694	18/24	43/57	1,237	16/26	38/62	1,326,101	560,120	2,890,644
2014	47	1,435,411	18/29	38/62	1,233	19/28	40/60	1,289,720	652,831	2,975,181
2015	53	1,306,915	21/32	40/60	1,114	22/31	42/58	1,189,840	402,386	2,840,156
2016	46	1,471,651	19/27	41/59	1,261	17/29	37/63	1,329,862	551,927	3,226,439
2017	39	1,297,303	16/23	41/59	1,090	18/21	46/54	1,204,171	559,877	2,836,863
2018	45	1,171,664	18/27	40/60	951	16/29	36/64	1,128,855	554,314	2,701,863
2019	47	970,771	21/26	45/55	770	20/27	43/57	913,937	258,261	1,919,904
2020	31	912,144	13/18	42/58	719	14/17	45/55	876,920	376,224	1,708,112
2021	22	586,301	8/14	36/64	447	7/15	32/68	548,931	356,890	911,932
<b>Total*</b>	<b>452</b>	<b>1,320,890</b>	<b>186/266</b>	<b>41/59</b>	<b>1,121</b>	<b>182/270</b>	<b>40/60</b>	<b>1,205,085</b>	<b>258,261</b>	<b>3,782,049</b>

**Table #1c**  
**Average Gross Sales for All Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2022 Average Members	Number Above/Below Average	% Above/Below Average	2022 Median Gross Sales	2022 Min Gross Sales	2022 Max Gross Sales
2008 and Prior	20	1,957,151	8/12	40/60	1,696	7/13	35/65	1,752,153	1,004,856	3,755,283
2009	7	2,114,573	3/4	43/57	1,894	2/5	29/71	1,954,842	1,337,118	3,782,049
2010	9	2,031,500	4/5	44/56	1,833	4/5	44/56	1,856,122	1,088,145	3,304,946
2011	23	1,723,489	11/12	48/52	1,597	10/13	43/57	1,572,424	808,394	3,288,793
2012	25	1,637,822	11/14	44/56	1,419	12/13	48/52	1,535,698	681,771	2,694,602
2013	43	1,422,955	18/25	42/58	1,232	16/27	37/63	1,315,716	560,120	2,890,644
2014	49	1,454,532	19/30	39/61	1,255	18/31	37/63	1,341,427	652,831	2,975,181
2015	56	1,343,338	22/34	39/61	1,157	24/32	43/57	1,239,899	402,386	2,840,156
2016	47	1,472,792	20/27	43/57	1,265	18/29	38/62	1,337,169	551,927	3,226,439
2017	40	1,308,669	17/23	43/58	1,098	17/23	43/58	1,204,239	559,877	2,836,863
2018	46	1,182,677	19/27	41/59	960	17/29	37/63	1,135,005	554,314	2,701,863
2019	48	984,624	22/26	46/54	783	21/27	44/56	923,207	258,261	1,919,904
2020	31	912,144	13/18	42/58	719	14/17	45/55	876,920	376,224	1,708,112
2021	22	586,301	8/14	36/64	447	7/15	32/68	548,931	356,890	911,932
<b>Total*</b>	<b>466</b>	<b>1,341,006</b>	<b>195/271</b>	<b>42/58</b>	<b>1,143</b>	<b>187/279</b>	<b>40/60</b>	<b>1,231,902</b>	<b>258,261</b>	<b>3,782,049</b>

**Table #2a**  
**Average Facial Sales for Subsidiary Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average Facial Sales	Number Above/Below Average	% Above/Below Average	2022 Min Facial Sales	2022 Max Facial Sales	2022 Median Facial Sales
2009	1	470,211	n/a	n/a	470,211	470,211	470,211
2010	2	850,121	1/1	50/50	848,437	851,806	850,121
2011	1	1,337,395	n/a	n/a	1,337,395	1,337,395	1,337,395
2013	1	369,749	n/a	n/a	369,749	369,749	369,749
2014	2	598,598	1/1	50/50	432,424	764,773	598,598
2015	3	664,900	1/2	33/67	450,896	932,690	611,116
2016	1	616,025	n/a	n/a	616,025	616,025	616,025
2017	1	657,458	n/a	n/a	657,458	657,458	657,458
2018	1	644,352	n/a	n/a	644,352	644,352	644,352
2019	1	629,471	n/a	n/a	629,471	629,471	629,471
<b>Total*</b>	<b>14</b>	<b>686,914</b>	<b>10/4</b>	<b>71/29</b>	<b>369,749</b>	<b>1,337,395</b>	<b>622,748</b>



**Table #2b**  
**Average Facial Sales for Franchised Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average Facial Sales	Number Above/Below Average	% Above/Below Average	2022 Min Facial Sales	2022 Max Facial Sales	2022 Median Facial Sales
2008 and Prior	20	677,922	10/10	50/50	279,267	1,603,964	675,314
2009	6	692,292	3/3	50/50	305,954	1,186,598	638,831
2010	7	584,497	3/4	43/57	317,516	1,248,079	470,788
2011	22	500,544	11/11	50/50	245,664	833,455	505,424
2012	25	515,367	8/17	32/68	175,813	1,104,012	462,144
2013	42	490,831	17/25	40/60	184,191	1,395,057	436,372
2014	47	464,230	18/29	38/62	176,612	1,204,344	413,076
2015	53	466,887	25/28	47/53	109,238	1,123,319	449,414
2016	46	454,639	19/27	41/59	84,231	1,017,449	427,318
2017	39	434,433	16/23	41/59	153,062	1,038,482	383,406
2018	45	363,981	20/25	44/56	100,615	817,069	324,768
2019	47	316,502	24/23	51/49	68,101	619,680	316,691
2020	31	295,748	14/17	45/55	96,743	532,664	280,274
2021	22	193,759	8/14	36/64	118,135	333,582	179,827
<b>Total*</b>	<b>452</b>	<b>432,346</b>	<b>196/256</b>	<b>43/57</b>	<b>68,101</b>	<b>1,603,964</b>	<b>431,845</b>

**Table #2c**  
**Average Facial Sales for All Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**  
**All Outlets**

Opening Year	2022 Franchises	2022 Average Facial Sales	Number Above/Below Average	% Above/Below Average	2022 Min Facial Sales	2022 Max Facial Sales	2022 Median Facial Sales
2008 and Prior	20	677,922	10/10	50/50	279,267	1,603,964	675,314
2009	7	660,566	3/4	43/57	305,954	1,186,598	510,628
2010	9	643,525	3/6	33/67	317,516	1,248,079	601,077
2011	23	536,929	9/14	39/61	245,664	1,337,395	514,878
2012	25	515,367	8/17	32/68	175,813	1,104,012	462,144
2013	43	488,016	17/26	40/60	184,191	1,395,057	436,076
2014	49	469,715	19/30	39/61	176,612	1,204,344	415,358
2015	56	477,495	24/32	43/57	109,238	1,123,319	457,564
2016	47	458,073	20/27	43/57	84,231	1,017,449	436,434
2017	40	440,009	16/24	40/60	153,062	1,038,482	386,358
2018	46	370,076	21/25	46/54	100,615	817,069	334,349
2019	48	323,022	24/24	50/50	68,101	629,471	321,120
2020	31	295,748	14/17	45/55	96,743	532,664	280,274
2021	22	193,759	8/14	36/64	118,135	333,582	179,827
<b>Total*</b>	<b>466</b>	<b>439,994</b>	<b>196/270</b>	<b>42/58</b>	<b>68,101</b>	<b>1,603,964</b>	<b>436,255</b>

**Table #3a**  
**Average Gift Card Sales for Subsidiary Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average GC Sales	Number Above/Below Average	% Above/Below Average	2022 Min GC Sales	2022 Max GC Sales	2022 Median GC Sales
2009	1	177,129	n/a	n/a	177,129	177,129	177,129
2010	2	342,535	1/1	50/50	286,518	398,553	342,535
2011	1	515,799	n/a	n/a	515,799	515,799	515,799
2013	1	127,657	n/a	n/a	127,657	127,657	127,657
2014	2	202,711	1/1	50/50	201,276	204,147	202,711
2015	3	206,176	2/1	67/33	149,874	253,164	215,490
2016	1	208,992	n/a	n/a	208,992	208,992	208,992
2017	1	170,224	n/a	n/a	170,224	170,224	170,224
2018	1	280,630	n/a	n/a	280,630	280,630	280,630
2019	1	193,831	n/a	n/a	193,831	193,831	193,831
<b>Total*</b>	<b>14</b>	<b>241,663</b>	<b>11/3</b>	<b>79/21</b>	<b>127,657</b>	<b>515,799</b>	<b>205,852</b>

**Table #3b**  
**Average Gift Card Sales for Franchised Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average GC Sales	Number Above/Below Average	% Above/Below Average	2022 Min GC Sales	2022 Max GC Sales	2022 Median GC Sales
2008 and Prior	20	247,304	9/11	45/55	82,873	740,804	212,756
2009	6	283,087	2/4	33/67	144,869	501,403	222,941
2010	7	291,800	3/4	43/57	170,575	581,694	255,379
2011	22	215,690	10/12	45/55	72,048	432,641	210,911
2012	25	208,084	11/14	44/56	89,813	408,482	186,884
2013	42	157,713	16/26	38/62	63,804	410,097	142,449
2014	47	163,350	19/28	40/60	66,206	504,106	130,982
2015	53	137,023	26/27	49/51	42,515	295,765	136,100
2016	46	172,849	21/25	46/54	56,757	363,841	168,215
2017	39	167,841	18/21	46/54	51,198	484,581	164,998
2018	45	144,420	20/25	44/56	54,377	272,715	138,629
2019	47	137,137	20/27	43/57	54,775	259,463	123,601
2020	31	138,321	13/18	42/58	43,726	310,432	130,474
2021	22	101,729	8/14	36/64	50,628	209,917	87,640
<b>Total*</b>	<b>452</b>	<b>164,082</b>	<b>196/256</b>	<b>43/57</b>	<b>42,515</b>	<b>740,804</b>	<b>153,723</b>

**Table #3c**  
**Average Gift Card Sales for All Outlets by Year of Opening**  
**Open 12 months or more**  
**Calendar Year 2022**

Opening Year	2022 Franchises	2022 Average GC Sales	Number Above/Below Average	% Above/Below Average	2022 Min GC Sales	2022 Max GC Sales	2022 Median GC Sales
2008 and Prior	20	247,304	9/11	45/55	82,873	740,804	212,756
2009	7	267,950	2/5	29/71	144,869	501,403	213,930
2010	9	303,074	3/6	33/67	170,575	581,694	286,518
2011	23	228,738	10/13	43/57	72,048	515,799	215,525
2012	25	208,084	11/14	44/56	89,813	408,482	186,884
2013	43	157,014	16/27	37/63	63,804	410,097	140,303
2014	49	164,956	21/28	43/57	66,206	504,106	135,374
2015	56	140,728	28/28	50/50	42,515	295,765	142,052
2016	47	173,618	22/25	47/53	56,757	363,841	171,624
2017	40	167,901	19/21	48/53	51,198	484,581	166,290
2018	46	147,381	20/26	43/57	54,377	280,630	138,944
2019	48	138,318	21/27	44/56	54,775	259,463	126,411
2020	31	138,321	13/18	42/58	43,726	310,432	130,474
2021	22	101,729	8/14	36/64	50,628	209,917	87,640
<b>Total*</b>	<b>466</b>	<b>166,413</b>	<b>203/263</b>	<b>44/56</b>	<b>42,515</b>	<b>740,804</b>	<b>154,171</b>

**Table #4**  
**Average Size, First Year Net Rent and Tenant Improvement Allowance for Franchised Outlets**  
**First Opened During 2022**

Room Count	# Openings	Avg. Size (sq. ft.)	# Above/Below Avg.	% Above/Below Avg.	Median Size	Min Size	Max Size	Avg. Rent	# Above/Below Avg.	% Above/Below Avg.	Median Rent	Min Rent	Max Rent	Avg. TI	# Above/Below Avg.	% Above/Below Avg.	Median TI	Min TI	Max TI
7-9	14	2,431	6/8	43/57	2,400	2,013	2,800	83,503	9/5	64/36	90,614	12,240	113,997	37	7/7	50/50	37	0	65
10-12	15	3,044	5/10	33/67	2,900	2,486	3,929	91,300	8/7	53/47	93,670	63,093	124,809	39	7/8	47/53	36	18	100
13-15	6	3,623	3/3	50/50	3,533	3,044	4,654	95,218	2/4	33/67	84,969	75,069	131,553	46	1/5	17/83	40	31	80
<b>Total</b>	<b>35</b>	<b>2,898</b>	<b>14/21</b>	<b>40/60</b>	<b>2,800</b>	<b>2,013</b>	<b>4,654</b>	<b>88,853</b>	<b>19/16</b>	<b>54/46</b>	<b>91,020</b>	<b>12,240</b>	<b>131,553</b>	<b>40</b>	<b>18/17</b>	<b>51/49</b>	<b>40</b>	<b>0</b>	<b>100</b>

**Table #5\***  
**Corporate Spa Average Revenue and Expenses for Eleven (11) Subsidiary Outlets for the**  
**Calendar Year 2022**

	Average	Median	# and % Attaining or Exceeding Average	Low/High
Gross Sales	\$2,038,640	\$1,751,944	5 / 45%	\$1,139,939 / \$3,288,793
Labor and Benefit Costs	\$986,236	\$962,791	3 / 27%	\$632,811 / \$1,489,421
Occupancy Costs	\$141,232	\$137,511	5 / 45%	\$88,240 / \$201,694
Royalties/National Marketing	\$142,705	\$122,636	5 / 45%	\$79,796 / \$230,215
Other Operating Costs	\$361,287	\$320,950	5/45%	\$205,460/ \$604,383

\*See Note 11.

### **Notes to this Item 19:**

1. For the purposes of this Item 19, “Gross Sales” means the aggregate of all revenue collected from the sale of products, gift cards, barter or exchange, complimentary services, prepaid services and services from all sources in connection with the franchised business whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that you collect and pay to any governmental taxing authority, and the value of any allowance issued or granted to any of your customers that you credit in full or partial satisfaction of the price of any products and services offered by the franchised business.

2. For Tables 1 through 3, Average Gross Sales is defined as the sum of the Gross Sales of the included outlets, divided by the total number of included outlets.

3. The businesses presented above range in size from 6 to 20 treatment rooms per location.

4. “Average Number of Members” is the average number of members reported by the included franchised outlet who have joined Hand and Stone’s Lifestyle program as monthly, annual or prepaid members (but excluding three-month memberships) and pay a monthly membership fee currently ranging from \$69.95 to \$89.95 per month. The Average Number of Members is defined as the sum of the members reported by the included franchised outlet divided by the total number of included franchised outlets. The Average Number of Members count does not deduct suspended or frozen members who are not currently paying monthly fees.

5. “Year Opened” is defined as the number of outlets that opened in the stated year, provided that the figures for 2008 also include outlets opened in the 2006 and 2007 calendar years.

6. “Facial Sales” are defined as Gross Sales of skin care services and products, including facials, microdermabrasion, and peels and are included in the average gross sales above. The Average Facial Sales is defined as the sum of the Facial Sales of the included outlets divided by the total number of included outlets.

7. “Size” refers to the size of the gross leasable square footage of the outlet. The Average Size is defined as the sum of the Size of the included outlet divided by the number of included outlets.

8. “First Year Net Rent” means the aggregate of all rental costs during the first year of operation to include rent price per square foot, taxes, insurance, and common area maintenance costs while deducting any rental abatements granted by the landlord. The Average First Year Gross Rent is defined as the sum of First Year Gross Rent of the included outlets divided by the total number of included outlets.

9. “Average TI” means the average tenant improvement allowance granted from a landlord to a franchisee to contribute to the tenant's construction build out of leasehold improvements. There were 35 franchised outlets that opened in 2022.

10. “Median” represents the middle number of which half of the included outlets exceeded and half did not.

11. Table #5 reflects certain performance information for the eleven (11) Subsidiary Outlets that were owned and operated by our affiliates for the entirety of the 2022 Calendar Year. Three (3) of the fourteen (14) Subsidiary Outlets were excluded from the results presented in Table #5 because they were acquired by our affiliate in the 2022 Calendar Year. The eleven (11) Subsidiary Outlets are mature

businesses that have been in operation for between three (3) years and twelve (12) years. Ten of the 11 Subsidiary Outlets are located in Florida and 1 Subsidiary Outlet is located in New Jersey. Table #5 reflects the following average expenses for the 11 Subsidiary Outlets during the 2022 Calendar Year, as reported to us by the 11 Subsidiary Outlets:

- a. “Gross Sales”, or the average of all Gross Sales for the 11 Subsidiary Outlets during the 2022 Calendar Year.
- b. “Labor and Benefit Costs” means the total direct and indirect labor costs of manager and hourly wages, payroll taxes and employment benefits incurred by the 11 Subsidiary Outlets during the 2022 Calendar Year. Labor and Benefits Costs does not include owners’ pay.
- c. “Occupancy Costs” means the total base rent, triple net charges (common area maintenance, insurance and taxes) reported to have been paid by the 11 Subsidiary Outlets during the 2022 Calendar Year.
- d. “Royalties / National Marketing” means the total Royalty Fees and National Marketing Fees paid to us by the 11 Subsidiary Outlets during the 2022 Calendar Year.
- e. “Other Operating Costs” includes the following expenses incurred by the 11 Subsidiary Outlets during the 2022 Calendar Year: local advertising, supplies and linens, equipment, IT/software, promotional and loyalty program expenses, insurance and credit card processing fees. Certain incurred shared expenses that are allocated to the operation of all subsidiary locations have been excluded from this category.
- f. The expenses presented in Table #5 do not include all expenses incurred by the 11 Subsidiary Outlets during the 2022 Calendar Year. You may incur additional costs and expenses.
- g. The performance information presented in Table #5 was included as part of the overall results of Hand and Stone Franchise LLC which are audited. However, these affiliate results are not independently verified or separately audited.

### Assumptions

1. With the exception of the limited expense information presented in Table #5 for the 11 Subsidiary Outlets, this analysis does not contain information concerning operating costs or expenses, including royalty and advertising or other costs or expenses that must be deducted from gross sales. Operating costs and expenses may vary substantially from outlet to outlet. Franchisees or former franchisees listed in this franchise disclosure document may be one source of this information.

2. We recommend that you consult with an attorney and other business advisors before purchasing a franchise. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

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

Other than the preceding financial performance representation, Hand and Stone Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing



outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jennifer Durham at 1210 Northbrook Drive, Suite 150, Trevoese, PA 19053 (Telephone: 215.259.7540), the Federal Trade Commission, and the appropriate state regulatory agencies.

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

**Table No. 1**  
**Systemwide Outlet Summary**  
**For years 2020, 2021, and 2022**

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net Change
Franchised	2020	419	449	+30
	2021	449	461	+12
	2022	461	487	+26
Company-Owned	2020	2	2	+0
	2021	2	12	+10
	2022	12	14	+2
Total Outlets	2020	421	451	+30
	2021	451	473	+22
	2022	473	501	+28

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2020,2021, and 2022**

State	Year	Number of Transfers
AZ	2020	1
	2021	2
	2022	2
CA	2020	4
	2021	0
	2022	0
CO	2020	0
	2021	4
	2022	3
DE	2020	0
	2021	1
	2022	0
FL	2020	1

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2021	2
	2022	8
<b>GA</b>	2020	1
	2021	0
	2022	2
<b>IL</b>	2020	0
	2021	2
	2022	2
<b>IN</b>	2020	0
	2021	0
	2022	1
<b>MA</b>	2020	1
	2021	0
	2022	0
<b>MI</b>	2020	0
	2021	1
	2022	0
<b>NH</b>	2020	0
	2021	0
	2022	0
<b>NJ</b>	2020	7
	2021	9
	2022	4
<b>NY</b>	2020	0
	2021	2
	2022	3
<b>NC</b>	2020	0
	2021	3
	2022	1
<b>OH</b>	2020	0
	2021	2
	2022	1
<b>OR</b>	2020	0
	2021	4
	2022	0
<b>PA</b>	2020	3
	2021	2

State	Year	Number of Transfers
	2022	4
UT	2020	1
	2021	0
	2022	0
TN	2020	0
	2021	0
	2022	3
TX	2020	0
	2021	1
	2022	2
VA	2020	0
	2021	2
	2022	0
WA	2020	2
	2021	4
	2022	2
WI	2020	0
	2021	0
	2022	1
Total	2020	21
	2021	41
	2022	39

**Table No. 3  
Status of Franchised Outlets  
For years 2020, 2021, and 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2020	1	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
Arizona	2020	14	0	0	0	0	0	14
	2021	14	1	0	0	0	0	15
	2022	15	1	0	0	0	0	16
California	2020	20	0	0	0	0	0	20
	2021	20	0	0	0	0	0	20

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
	2022	20	1	1	0	0	0	20
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Colorado	2020	18	0	0	0	0	0	18
	2021	18	0	0	0	0	0	18
	2022	18	1	0	0	0	0	19
Delaware	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Florida	2020	60	6	0	0	0	0	66
	2021	66	3	0	0	10	0	59
	2022	59	8	1	0	3	0	63
Georgia	2020	8	0	0	0	0	0	8
	2021	8	0	0	0	0	0	8
	2022	8	0	1	0	0	0	7
Illinois	2020	15	1	0	0	0	0	16
	2021	16	0	0	0	0	0	16
	2022	16	1	0	0	0	0	17
Indiana	2020	3	0	0	0	0	0	3
	2021	3	1	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Idaho	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Kansas	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kentucky	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Massachusetts	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5

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
	2022	5	0	0	0	0	0	5
Maryland	2020	6	1	0	0	0	0	7
	2021	7	1	0	0	0	0	8
	2022	8	3	0	0	0	0	11
Michigan	2020	5	4	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Minnesota	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Missouri	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Nebraska	2020	1	0	0	0	0	0	1
	2021	1	01	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Nevada	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
New Hampshire	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Jersey	2020	56	3	0	0	0	0	59
	2021	59	0	0	0	0	0	59
	2022	59	1	0	0	0	0	60
New York	2020	20	0	0	0	0	0	20
	2021	20	2	0	0	0	0	22
	2022	22	0	0	0	0	0	22
North Carolina	2020	21	3	0	0	0	0	24
	2021	24	2	0	0	0	0	26
	2022	26	1	0	0	0	0	27
Ohio	2020	12	2	0	0	0	0	14
	2021	14	0	0	0	0	0	14

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
	2022	14	2	0	0	0	0	16
Oklahoma	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oregon	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Pennsylvania	2020	40	3	0	0	0	0	43
	2021	43	2	0	0	0	0	45
	2022	45	1	0	0	0	0	46
South Carolina	2020	6	0	0	0	0	0	6
	2021	6	1	0	0	0	0	7
	2022	7	0	0	0	0	0	7
Tennessee	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Texas	2020	50	0	0	0	0	0	50
	2021	50	5	0	0	0	0	55
	2022	55	6	0	0	0	0	61
Utah	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	3	0	0	0	0	6
Virginia	2020	18	1	1	0	0	0	18
	2021	18	1	0	0	0	0	19
	2022	19	0	0	0	0	0	19
Washington	2020	12	0	1	0	0	0	11
	2021	11	0	0	0	0	0	11
	2022	11	0	1	0	0	0	10
Wisconsin	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	2	0	0	0	2
<b>Total</b>	<b>2020</b>	<b>423</b>	<b>28</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449</b>
	<b>2021</b>	<b>449</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>461</b>

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
	2022	461	35	6	0	3	0	487

**Table No. 4**  
**Status of Company-Owned\* Outlets**  
**For years 2020, 2021, and 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
New Jersey	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	1	0	1
Florida	2020	0	0	0	0	0	0
	2021	0	0	10	0	0	10
	2022	10	0	3	0	0	13
<b>Total</b>	<b>2020</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2021</b>	<b>2</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>12</b>
	<b>2022</b>	<b>12</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>14</b>

\*As described in Item 1, our Subsidiaries own and operate two Hand and Stone Massage and Facial Spa units in New Jersey. We do not own or operate any Hand and Stone Massage and Facial Spa units.

**Table No. 5**  
**Projected Openings as of December 31, 2022**

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 Year
Alabama	4	3	0
Arizona	1	1	0
California	1	1	0
Colorado	0	0	0
Florida	17	11	0
Georgia	2	1	0
Hawaii	2	1	0
Idaho	0	0	0

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 Year
Illinois	2	0	0
Indiana	1	1	0
Kansas	0	0	0
Kentucky	0	0	0
Massachusetts	2	0	0
Maryland	5	2	0
Michigan	3	1	0
Minnesota	1	0	0
New Jersey	2	1	0
Nevada	0	0	0
New York	1	0	0
North Carolina	2	1	0
Ohio	17	6	0
Oregon	0	0	0
Pennsylvania	5	3	0
South Carolina	5	3	0
Tennessee	6	1	0
Texas	10	3	0
Utah	1	1	0
Virginia	1	1	0
Washington	0	0	0
Wisconsin	1	1	0
Wyoming	1	0	0
<b>Total</b>	<b>93</b>	<b>43</b>	<b>0</b>

A list of all of our franchisees and regional developers is attached as Exhibits E and G to this Disclosure Document, respectively.

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

During the last three fiscal years, franchisees have signed confidentiality provisions that restrict their ability to speak openly about their experience with the Hand and Stone System.



There are no trademark-specific organizations formed by our franchisees that are associated with the Hand and Stone System.

**ITEM 21**  
**FINANCIAL STATEMENTS**

Exhibit C to this Disclosure Document contains our audited financial statements as of December 31, 2020, December 31, 2021, and December 31, 2022, as well as our (a) unaudited balance sheet as of March 31, 2023, and (b) unaudited profit and loss statement for the interim period beginning January 1, 2023, and ending March 31, 2023. Our fiscal year end is December 31.

**ITEM 22**  
**CONTRACTS**

Exhibit D:	Franchise Agreement (with exhibits).
Exhibit J:	Software Sublicense Agreement
Exhibit K:	Architectural Services Agreement
Exhibit L:	General Release.

**ITEM 23**  
**RECEIPTS**

Our copy and your copy of the Disclosure Document Receipt are located on the last two pages of this Disclosure Document.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT**  
**LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, Hand and Stone Franchise LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Hand and Stone Franchise LLC has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

<p><b><u>CALIFORNIA</u></b></p> <p>Commissioner  California Department of Financial Protection and Innovation  320 West 4th Street, Suite 750  Los Angeles, CA 90013  (213) 576-7500  Toll Free (866) 275-2677</p> <p>2101 Arena Blvd.  Sacramento, CA 95834  (916) 445-7205</p> <p>1350 Front Street  San Diego, CA 92101  (619) 525-4233</p> <p>One Sansome Street, Suite 600  San Francisco, CA 94104-4428  (415) 972-8565</p>	<p><b><u>CONNECTICUT</u></b></p> <p>State of Connecticut  Department of Banking  Securities &amp; Business Investments Division  260 Constitution Plaza  Hartford, CT 06103-1800  (860) 240-8230</p> <p>Agent: Banking Commissioner</p>
<p><b><u>HAWAII</u></b>  (state administrator)</p> <p>Business Registration Division  Department of Commerce and Consumer Affairs  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p> <p>(agent for service of process)</p> <p>Commissioner of Securities  State of Hawaii  335 Merchant Street  Honolulu, Hawaii 96813  (808) 586-2722</p>	<p><b><u>ILLINOIS</u></b></p> <p>Franchise Bureau  Office of the Attorney General  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p>

<p><b><u>INDIANA</u></b> (state administrator)</p> <p>Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><b><u>MARYLAND</u></b> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><b><u>MICHIGAN</u></b> (state administrator)</p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 1<sup>st</sup> Floor Lansing, Michigan 48933 (517) 373-7117</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><b><u>MINNESOTA</u></b> (state administrator)</p> <p>Minnesota Department of Commerce 85 7<sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
<p><b><u>NEW YORK</u></b> (state administrator)</p> <p>Officer of the New York Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236 (phone)</p> <p>(for service of process) Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6<sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>

<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance  Corporate Securities Section  Labor and Industries Building  Salem, Oregon 97310  (503) 378-4387</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Securities Division  Department of Business Regulation,  Bldg. 69, First Floor  John O. Pastore Center  1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 462-9582</p>
<p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Securities  Department of Revenue &amp; Regulation  445 East Capitol Avenue  Pierre, South Dakota 57501  (605) 773-4823</p>	<p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission  Division of Securities and Retail Franchising  1300 East Main Street, 9th Floor  Richmond, Virginia 23219  (804) 371-9051</p> <p>(for service of process)  Clerk of the State Corporation Commission  1300 East Main Street, 1<sup>st</sup> Floor  Richmond, Virginia 23219  (804) 371-9733</p>
<p><b><u>WASHINGTON</u></b>  (state administrator)</p> <p>Department of Financial Institutions  Securities Division  P.O. Box 9033  Olympia, Washington 98507-9033  (360) 902-8760</p> <p>(for service of process)  Director, Department of Financial Institutions  Securities Division  150 Israel Road S.W.  Tumwater, Washington 98501</p>	<p><b><u>WISCONSIN</u></b>  (state administrator)</p> <p>Division of Securities  Department of Financial Institutions  345 W. Washington Ave., 4<sup>th</sup> Floor  Madison, Wisconsin 53703  (608) 266-1064</p> <p>(for service of process)  Administrator, Division of Securities  Department of Financial Institutions  345 W. Washington Ave., 4<sup>th</sup> Floor  Madison, Wisconsin 53703</p>

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**EXHIBIT C TO THE DISCLOSURE DOCUMENT**  
**FINANCIAL STATEMENTS**

# **Hand and Stone Franchise LLC and Subsidiaries**

Consolidated Financial Report  
December 31, 2022



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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Hand and Stone Franchise LLC

### Opinion

We have audited the consolidated financial statements of Hand and Stone Franchise LLC and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 (Successor) and 2021 (Predecessor), the related consolidated statements of operations, changes in stockholders' and member's equity and cash flows for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 (Successor) and 2021 (Predecessor), and the results of their operations and their cash flows for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), 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 Audit of the Financial Statements section of our report. We are required to be independent of the Company 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.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company was acquired through an Agreement and Plan of Merger on June 2, 2022, which has resulted in a change in control. Our opinion is not modified with respect to this matter.

### Emphasis of Matter—Change in Accounting Policy

As discussed in Note 8 to the consolidated financial statements, in 2022, the Company adopted new accounting guidance for its leases under Financial Accounting Standards Board's Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

### 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.

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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Blue Bell, Pennsylvania  
May 17, 2023

**Hand and Stone Franchise LLC and Subsidiaries**

**Consolidated Balance Sheets**  
**December 31, 2022 (Successor) and 2021 (Predecessor)**

	<b>2022 (Successor)</b>	2021 (Predecessor)
<b>Assets</b>		
Current assets:		
Cash	\$ 7,638,195	\$ -
Accounts receivable	5,666,113	2,347,253
Inventory	837,614	526,713
Notes receivable	-	2,908,392
Deferred opening expenses	383,921	388,960
Other current assets	153,622	19,902
Prepaid expense	2,235,793	1,370,781
<b>Total current assets</b>	<b>16,915,258</b>	<b>7,562,001</b>
Property and equipment, net	<b>971,419</b>	1,140,705
Other assets:		
Intangible assets, net	293,904,007	54,370,000
Goodwill, net	579,525,545	37,208,072
Deferred opening expenses, net of current portion	-	2,429,701
Security deposits	54,053	54,053
Territory assets, net	-	14,873,638
Leases, right-of-use assets	6,316,258	-
<b>Total other assets</b>	<b>879,799,863</b>	<b>108,935,464</b>
<b>Total assets</b>	<b>\$ 897,686,540</b>	<b>\$ 117,638,170</b>

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 (Successor) and 2021 (Predecessor)

	2022 (Successor)	2021 (Predecessor)
<b>Liabilities and Stockholders' Equity and Member's Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,427,190	\$ 13,219,568
Gift card liability	4,853,094	5,909,404
Deferred revenue	936,113	1,327,082
Deferred revenue, spa	17,077,019	10,679,902
Lease liabilities—current	1,200,968	-
<b>Total current liabilities</b>	<b>39,494,384</b>	<b>31,135,956</b>
Long-term liabilities:		
Deferred revenue, net of current portion	8,685,747	8,305,553
Deferred tax liability	53,679,208	12,687,498
Lease liabilities—non current	5,226,257	-
<b>Total long-term liabilities</b>	<b>67,591,212</b>	<b>20,993,051</b>
<b>Total liabilities</b>	<b>107,085,596</b>	<b>52,129,007</b>
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock (1,000,000 authorized, 870,328 issued and outstanding)	-	870
Additional paid-in capital	-	37,466,927
Retained earnings	-	28,041,366
<b>Total stockholders' equity</b>	<b>-</b>	<b>65,509,163</b>
Member's equity	<b>790,600,944</b>	-
<b>Total stockholders' and member's equity</b>	<b>790,600,944</b>	<b>65,509,163</b>
<b>Total liabilities and stockholders' and member's equity</b>	<b>\$ 897,686,540</b>	<b>\$ 117,638,170</b>

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Operations

Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	2021 (Predecessor)
Revenues:			
Royalties	\$ 21,438,987	\$ 13,916,876	\$ 30,079,795
Initial license fees	692,861	381,392	1,182,151
Regional developer fees	19,229	20,188	87,278
Franchisee spa sales	11,598,299	8,284,500	5,992,531
Equipment sales	1,552,273	1,177,837	2,060,177
Marketing and advertising fees	18,017,365	10,436,286	25,174,691
Gift certificate revenue	2,733,240	1,827,609	4,784,249
Franchisee IT support fees	2,374,572	1,606,753	3,392,589
HS Design	121,777	38,276	334,416
Other revenues	2,830,749	1,540,036	3,495,221
<b>Total revenues</b>	<b>61,379,352</b>	<b>39,229,753</b>	<b>76,583,098</b>
Expenses:			
Selling, general and administration expenses	35,950,624	26,524,403	45,733,184
Cost of goods sold—equipment	1,233,786	972,114	1,739,077
Amortization of goodwill and intangible assets	50,401,361	8,014,700	11,971,207
Transaction expenses	184,071	12,766,161	717,032
<b>Total expenses</b>	<b>87,769,842</b>	<b>48,277,378</b>	<b>60,160,500</b>
<b>(Loss) income from operations</b>	<b>(26,390,490)</b>	<b>(9,047,625)</b>	<b>16,422,599</b>
Other income:			
Other income	77,161	42,193	227,562
<b>Total other income</b>	<b>77,161</b>	<b>42,193</b>	<b>227,562</b>
<b>(Loss) income before provision for income taxes</b>	<b>(26,313,329)</b>	<b>(9,005,432)</b>	<b>16,650,161</b>
<b>Provision for income taxes</b>	<b>(2,088,692)</b>	<b>(188,873)</b>	<b>(5,668,572)</b>
<b>Net (loss) income</b>	<b>\$ (28,402,021)</b>	<b>\$ (9,194,305)</b>	<b>\$ 10,981,589</b>

See notes to consolidated financial statements.

## Hand and Stone Franchise LLC and Subsidiaries

### Consolidated Statements of Changes in Stockholders' and Member's Equity Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Common Stock, Class A		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Number of Shares Outstanding	Amount			
(Predecessor)					
Balance, December 31, 2020	870,328	\$ 870	\$ 41,998,836	\$ 17,059,777	\$ 59,059,483
Stock based compensation	-	-	130,355	-	130,355
Dividends, net	-	-	(4,662,264)	-	(4,662,264)
Net income	-	-	-	10,981,589	10,981,589
Balance, December 31, 2021	870,328	\$ 870	\$ 37,466,927	\$ 28,041,366	\$ 65,509,163
(Predecessor)					
Balance, January 1, 2022	870,328	\$ 870	\$ 37,466,927	\$ 28,041,366	\$ 65,509,163
Stock based compensation	-	-	51,302	-	51,302
Capital contributions, net	-	-	-	26,631,945	26,631,945
Net loss	-	-	-	(9,194,305)	(9,194,305)
Balance, June 1, 2022	870,328	\$ 870	\$ 37,518,229	\$ 45,479,006	\$ 82,998,105

	Member's Equity
(Successor)	
Balance, June 2, 2022	\$ -
Capital contributions, net	819,002,965
Net loss	(28,402,021)
<b>Balance, December 31, 2022</b>	<b>\$ 790,600,944</b>

See notes to consolidated financial statements.

## Hand and Stone Franchise LLC and Subsidiaries

### Consolidated Statements of Cash Flows

Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	2021 (Predecessor)
Cash flows from operating activities:			
Net income (loss)	\$ (28,402,021)	\$ (9,194,305)	\$ 10,981,589
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	50,452,189	8,204,759	12,046,225
Stock based compensation	-	51,302	130,355
Deferred income taxes	1,062,552	175,314	(556,414)
(Increase) decrease in:			
Accounts and notes receivable	(15,915)	(3,302,945)	(2,502,835)
Inventory	306,807	(554,527)	184,264
Deferred opening expenses	95,684	(696,164)	260,567
Prepaid expenses	(699,866)	(165,145)	(364,661)
Security deposits and other assets	534,104	(667,824)	2,676
Leases, right-of-use assets	110,967	-	-
Increase (decrease) in:			
Accounts payable and accrued expenses	482,804	3,949,566	3,390,118
Gift card liability	(616,181)	(440,129)	(708,578)
Deferred revenue	(96,318)	85,543	732,328
Deferred revenue, spa	411,515	343,631	363,650
<b>Net cash provided by (used in) operating activities</b>	<b>23,626,321</b>	<b>(2,210,924)</b>	<b>23,959,284</b>
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(820,914,714)	-	(11,879,798)
Acquisition of territory	-	(19,749,000)	(10,000,000)
Purchase of property and equipment	(543,016)	(45,025)	(311,382)
<b>Net cash used in investing activities</b>	<b>(821,457,730)</b>	<b>(19,794,025)</b>	<b>(22,191,180)</b>
Cash flows from financing activities:			
Capital contributions, net	800,842,608	26,631,945	-
Dividends, net	-	-	(4,662,264)
<b>Net cash provided by (used in) financing activities</b>	<b>800,842,608</b>	<b>26,631,945</b>	<b>(4,662,264)</b>
<b>Net increase (decrease) in cash and restricted cash</b>	<b>3,011,199</b>	<b>4,626,996</b>	<b>(2,894,160)</b>
Cash:			
Beginning	4,626,996	-	2,894,160
Ending	<b>\$ 7,638,195</b>	<b>\$ 4,626,996</b>	<b>\$ -</b>

See notes to consolidated financial statements.



## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies

**Nature of business:** HS Spa Holdings Inc. (Holdings) is the parent company to HS Parent LLC (Parent), which is the parent company to Hand and Stone Franchise LLC (the LLC or Franchisor). Franchisor is engaged in the business of providing franchise opportunities in the facials and massage spa industry throughout the United States of America. The spas offer a variety of hot stone, therapeutic and relaxation massages and facial services to the general public through member and non-member programs. All spas are independently owned and operated under the terms of conventional franchise arrangements (Franchisees). When granting franchises, Franchisor is very selective in the franchisee qualification process. After paying the initial franchise fee, franchisees contribute to Franchisor's revenue stream through the payment of royalties based upon a percentage of sales. The conventional franchise arrangement typically lasts 10 years for franchisees and 15 years for regional developers, at which time the arrangements are able to be renewed. On October 1, 2014, Hand and Stone Franchise LLC also acquired HS Hamilton Spa, LLC which owns and operates a franchise location under license from the franchisor. HS Hamilton Spa, LLC provides the same variety of services mentioned above. In October of 2018, Hand and Stone Franchise LLC formed H&S Spa Management LLC. which owns and operates 13 franchise locations under the license from the franchisor.

**Basis of presentation and principles of consolidations:** The accompanying financial statements present the consolidated financial statements of Franchisor and its wholly owned subsidiaries HS Card Services, Inc., HS Hamilton Spa, LLC., H&S Spa Management LLC., HS Design, LLC. and HSM Advertising, Inc. (collectively, the Company). HS Card Services, Inc. was formed in July 2013 to market, sell, process and maintain the national gift card program for Corp. HS Card Services, Inc. is a Pennsylvania corporation. HS Hamilton Spa, LLC., was formed in October 2014 to purchase the assets of the Hamilton Hand and Stone Massage and Facial Spa from common ownership. HS Hamilton Spa, LLC. is a Pennsylvania company as they re-domiciled in 2015 from New Jersey. H&S Spa Management, LLC, was formed in 2018 to purchase the assets of various spas. HSM Advertising, Inc. was formed in August 2009 to be the in-house advertising agency for Franchisor and its franchisees. HSM Advertising Inc. is a New Jersey corporation. HS Design, LLC. was formed in September 2017 to provide architectural drawings and other design services and to be the in-house design company for Franchisor and its franchisees. HS Design, LLC. is a Pennsylvania company. All significant intercompany balances and transactions have been eliminated.

On June 2, 2022 pursuant to an Agreement and Plan of Merger (the agreement), the Company was acquired by HP H&S Purchaser, Inc. Pursuant to the agreement, Hand and Stone Franchise Corp (the Predecessor) converted to Hand and Stone Franchise LLC. See Note 2 for further description of the acquisition. As a result, the consolidated financial statements for the periods prior to, and including June 1, 2022 reflect the financial statements of the Company prior to the acquisition (Predecessor). Subsequent to June 1, 2022, the consolidated financial statements reflect the Company after the acquisition (Successor). The Company's assets and liabilities were adjusted to fair value on June 2, 2022, the closing date of the acquisition. Where applicable, the Predecessor and Successor periods have been separated by a vertical line to highlight the fact that the periods have been presented under the two differences bases of accounting, and therefore are not necessarily comparable.

A summary of the Company's significant accounting policies follows:

**Business combinations:** The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets, and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed is recorded as goodwill.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

These fair value determinations require judgement and involve the use of significant estimates and assumptions, including assumptions with respect to the selection of valuation methodologies, estimates of future cash inflows and outflows, discount rates, and a selection of comparable companies. The Company engages valuation specialists for assistance in determining fair value of the assets acquired and liabilities assumed in a business combination. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed, with a corresponding offset to goodwill.

**Revenue recognition and deferred revenue:** The Company's revenues consist principally of sales of franchises, royalty fees collected from franchisees and the sale of equipment and supplies. Other revenues include support service fees, vendor commissions and marketing and advertising fees.

Initial franchise fees are recognized as the performance obligations are met. Unearned franchise fees are included in deferred revenue in the accompanying consolidated balance sheets. Deferred revenue obtained through acquisition is recorded at historical carrying value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-02. In accordance with the Company's Franchise Disclosure Document (FDD), the Franchisor will provide certain support services to the franchisees. Prior to the spa opening, the Franchisor will designate a protected territory for the franchisee and approve the site and lease of the spa. The Franchisor will also provide the franchisee with standard plans and specifications of required supplies, equipment and improvements, which the franchisee is responsible for purchasing. The Company will also provide initial training, equipment set up and on-site assistance in conjunction with the regional developers, if applicable, for five business days in conjunction with, and prior to, the beginning of operations.

A portion of the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, a portion of the initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement (10 years), which is consistent with the franchisee's right to use and benefit from the intellectual property. For any portion of the initial franchise fees that are considered to be individually distinct from the ongoing services provided to the franchisee, the Company would recognize those initial franchise fees as each individual performance obligation is satisfied.

Income from the sale of regional development agreements is recognized on a straight-line basis over the term of the agreement since the Company's obligation remains the same during the entire term.

Royalties from franchisees are recognized in the period that the associated revenues of the franchisees are earned. In the case of terminated agreements, deferred regional development and initial franchise fee revenue is recognized immediately upon the termination of their respective agreements as future services are no longer required by the Company. In addition, each franchisee is required to pay a monthly fee per month for computer software maintenance, support and cyber insurance, which is included in franchisee IT support fees.

The Company recognizes revenue from sales of equipment to franchisees upon opening of the spa, which is when the Company has performed substantially all opening services required by the franchise agreement. The Company's policy is to present sales revenues net of sales taxes collected from its customers. Support service fees are recognized as services are provided. Vendor commissions are recognized as earned.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

Marketing fees are for future advertising, marketing and promotional programs. The Company's franchise network contribute part of its gross revenues as defined in the franchise agreement to the Company to promote the products and services offered by the franchise network. The gross revenues and expense associated with these payments are recognized in the consolidated statements of operations.

National advertising fees are based on a percentage of franchisee gross monetary sales, as defined in the franchise agreement, and are used for marketing and advertising provided to franchisees. The Company is obligated to spend these advertising fees on advertising related costs on behalf of the franchisees. The receipts and expenditures associated with these payments are recognized in the consolidated balance sheets having no effect on income from operations.

HS Hamilton Spa, LLC. and H&S Spa Management, LLC. (collectively referred to as Spa), principally performs spa services through introductory offers, membership sales, gift card sales, product offerings and upgrades. Spa recognizes revenue for introductory offers, product sales and upgrades when the service or transaction is complete. Spa recognizes revenue as the performance obligation is satisfied for both memberships and gift card sales. Unused membership and unredeemed gift cards are accounted for as deferred revenue, spa. Spa recognizes revenue from unredeemed membership packages 90 days after the cancellation of membership. Spa recognizes revenue from unredeemed gift card sales based on the age of the liability and the expected utilization. Spa recognized revenue from unredeemed gift cards of \$1,488,818, \$888,885 and \$836,751 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

HS Design, LLC. (Design) principally performs architectural services through drawings and review of third-party drawings. Design recognizes revenue for drawings and reviews when the service is complete.

Deferred opening expenses of \$383,921 and \$2,818,661 at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), represent commissions and other costs paid to individuals who performed certain services related to franchisees who have entered into franchise agreements, but not yet opened. These costs are deferred until such time as franchise revenue associated with these opening expenses is recognized.

Revenue from royalties, franchisee spa sales, equipment sales, marketing fees, gift certificate revenue, franchisee IT support fees, HS Design and other revenues are recognized at a point in time, whereas revenue from a portion of initial license fees and regional developer fees is recognized over time. Total revenue recognized at a point in time and over time was as follows for the period from June 2, 2022 to December 31, 2022 (Successor), for the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor):

	December 31, 2022 (Successor)	June 1, 2022 (Predecessor)	December 31, 2021 (Predecessor)
Revenue recognized over time	\$ 692,861	\$ 381,392	\$ 1,196,228
Revenue recognized at a point in time	60,686,491	38,848,361	75,386,870
	<u>\$ 61,379,352</u>	<u>\$ 39,229,753</u>	<u>\$ 76,583,098</u>

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

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

**Accounts receivable:** Management reviews all accounts receivable and royalty receivable balances that exceed 90 days from the due date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. The Company believes that the receivables are fully collectible and, therefore, has not established a reserve for doubtful accounts. The Company does not require collateral from its customers, and the receivables are stated at amounts billed and are currently non-interest bearing.

**Inventory:** Inventory, consisting of printed materials for resale to franchisees and spa products available for consumers, are stated at the lower of cost (first in, first out basis) and net realizable value.

**Notes receivable:** Notes receivable consists of advances to management on future bonuses and an advance to a related party which were repaid in the period from January 1, 2022 to June 1, 2022 (Predecessor).

**Property and equipment:** Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Leasehold improvements	Shorter of lease term or useful life
Office equipment	5-10 years
Furniture and fixtures	5-10 years
ERP system development costs	5 years
Business intelligence platform	5 years
Website development costs	2-5 years

**Franchise arrangements:** Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as continuing royalties of 5% to the Company based on sales. Effective April 2016, all new franchise agreements and renewals executed subsequent to this date have royalties of 6% from the 53rd week of their operations and after. Hand and Stone franchisees are granted the right to operate a spa for a period of 10 years. As of December 31, 2022 (Successor) and December 31, 2021 (Predecessor), there were 515 and 473 franchise outlets including corporate owned franchisees in operation, respectively.

**Regional development agreements:** The regional developers have the opportunity to own and operate one or more franchises. Regional developers can also offer franchises to others within their territory.

Regional developers are responsible for servicing and training franchisees in their area on an ongoing basis. The Regional Developers currently receive 50% of the net initial franchise fee (after deduction for third party costs) and 40% to 50% of royalties from the franchises established in their territory, which are reflected in commission expense.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

**Commissions:** Under the terms of various broker agreements with third parties, the Company agrees to pay for referral of a candidate who purchases an individual franchise. Commissions are deferred until the related revenue is recognized under the terms of the respective agreements.

**Advertising:** Advertising costs are expensed as incurred. Advertising expense for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), was \$733,061, \$497,871 and \$643,782, respectively.

**Stock option plan:** The Company accounts for stock options in accordance with FASB Accounting Standards Codification (ASC) 718, Share-Based Compensation, which requires that compensation cost relating to share based payment transactions be recognized as an expense in the financial statements on a straight-line basis over the vesting period and cost measured based on the estimated fair value of the equity or liability instrument at the date granted. The policy also requires that forfeitures be estimated and recorded over the vesting period of the instrument. See Note 6.

**Reacquired territory rights:** Reacquired territory rights arising from the repurchase of regional development agreements are recorded at the lower of cost or market and are amortized over the unexpired term using the straight-line method. The amortization expense for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021, was \$0, \$3,812,195 and \$3,227,381, respectively.

**Gift card liability:** Gift cards are sold through the national gift card website by HS Card Services, Inc. The gift card liability at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), represents gift cards that have been sold prior to the balance sheet date that have not yet been redeemed. All Company gift cards issued in the U.S. by HS Card Services, Inc. are valid for services at any franchisee location in the U.S. Once gift cards are redeemed at local franchisees, the Company reimburses the local franchisee. The Company recognizes a gift card service fee at time of sale. The Company establishes a reserve for the estimated amount of gift cards that may not be redeemed and records the change in the reserve as gift card revenue. The gift card liability as of December 31, 2022 (Successor) and December 31, 2021 (Predecessor), was \$4,853,094 and \$5,909,404, respectively. The Company recognized gift card breakage revenue of \$1,228,420, \$925,000 and \$3,889,781 for the period from June 2, 2022 to December 31, 2022 (Successor), January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor).

**Income taxes:** The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income tax assets are recognized for deductible temporary differences and deferred income tax liabilities are recognized for taxable temporary differences. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is recognized in income in the period when the change is enacted.

Based on consideration of all available evidence regarding their utilization, net deferred tax assets are recorded to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained based solely on its technical merits and consideration of relevant taxing authorities widely understood administrative practices and precedents. The Company has analyzed its tax position and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken on current tax returns. The Company is not aware of any tax positions for which it is reasonably possible that the total of amounts of unrecognized tax benefits will change in the next twelve months. The Company is no longer subject to U.S federal and state tax exemptions for the year prior to 2019. There are no current U.S. federal or state income tax examinations.

**Defined contribution plan:** The Company sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees of the Company. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to IRS limits. The Company contributed \$136,949, \$99,853 and \$205,670 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

**Leases:** In accordance with ASC 842 the Company determines if a contract is a lease or contains a lease at the date of inception. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and any periods covered by early termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain to exercise. The Company also determines lease classification as of the lease commencement date, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of income (loss) over the lease term.

The Company made an accounting policy election not to recognize right of use assets and lease liabilities for leases with a term of twelve months or less. For leases with a term exceeding twelve months, a lease liability is recognized on the Company's consolidated balance sheet at lease commencement date (or January 1, 2022, for existing leases upon the adoption of SAC 842) reflecting the present value of its fixed payment obligations over the lease term. A corresponding right-of-use (ROU) asset equal to the initial lease liability is also recognized, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

For the Company's operating leases, fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. For leases with a term of twelve months or less, any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the Company's consolidated balance sheets as an accounting policy election. Variable lease payments are expenses as incurred.

Lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and any other periodic market-rate adjustment to base rent are recorded in variable lease expense in the period incurred.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company elected the practical expedient that permits lessees to account for each separate lease component of a contract and its associated non-lease components as single lease component for all asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance, or real estate taxes, which are variable in nature and recorded in variable lease expense in the period incurred.

**Goodwill:** The Company accounts for goodwill in accordance with ASU 2014-18. Under this guidance, the Company will not separately identify certain other identifiable intangible assets, such as customer lists and covenants not to compete, from goodwill. The Company is also electing to amortize goodwill over a 10-year life.

**Concentration of credit risk:** Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions.

**Intangible assets:** The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgments and assumptions. Intangible assets include trade names, franchise relationships and program material which are amortized on a straight-line basis over its useful lives ranging from four to 15 years, except for the trade names which were determined to have indefinite lives.

**Impairment of long-lived assets:** The Company reviews long-lived assets, including property and equipment and definite lived intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value. Indefinite lived intangibles are subject to an annual impairment test using a two-step process prescribed by guidance issued by the FASB. The first step tests for potential impairment, while the second step measures the amount of impairment, if any. The Company performs the required annual impairment test during December of each year.

**Recent accounting pronouncements:** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses

As a result of the transaction discussed in Note 1, HP H&S Purchaser, Inc. obtained control of the Company on June 2, 2022. In accordance with ASC 805, all identifiable assets and assumed liabilities of the Company were measured at and adjusted to their estimated fair values as of June 2, 2022, and goodwill was recognized based on the difference between the purchase price and the estimated fair value of the identifiable net assets acquired, including the acquired intangible assets.

The purchase price related to Franchisor was \$833.3 million, inclusive of \$558.2 million of cash paid directly to sellers, rollover equity of \$13.5 million, and \$98.0 million of transaction expenses, net of cash acquired of \$4.6 million.

The following table summarizes the estimated fair value of identifiable assets acquired and liabilities assumed in the Transaction and the resulting goodwill as of the acquisition date:

Accounts receivable, net	\$ 5,650,198
Inventories	1,081,240
Prepaid expenses and other current assets	2,757,311
Property and equipment	479,231
Leases, right-of-use assets	5,813,311
Intangible assets	308,921,000
Accounts payable, accrued expenses and other current liabilities	(12,067,572)
Deferred revenue	(26,210,986)
Deferred tax liability	(52,616,656)
Lease liabilities, total	(5,813,311)
Other long-term liabilities	(2,876,814)
Total identifiable net assets (liabilities) assumed	<u>225,116,952</u>
Goodwill	<u>603,498,588</u>
	<u><u>\$ 828,615,540</u></u>

Identifiable intangible assets represent the value of the franchise agreement acquired and were valued using a discounted cash flow method, which is an income method. The weighted average cost of capital utilized in this valuation was 11.5%, the risk free rate was 3.3% and the market risk premium was 6.0% as of the valuation date

Goodwill reflects the synergistic nature of the Company's identifiable assets that, when employed in combination, generate a value in excess of their individual values. Additionally, a portion of goodwill reflects the value of the Company's assembled workforce. The goodwill is not deductible for tax purposes.

Expenses associated with the transaction were \$98.0 million and were comprised of \$85.2 million of contingent deal-related expenses included as consideration and \$12.8 million of acquisition related costs which were classified as transaction expenses for the period from January 1, 2022 to June 1, 2022 (Predecessor).

Pursuant to an asset purchase agreement (APA) dated November 1, 2022, the Company acquired all of the assets and assumed liabilities of several franchised spas located in Florida for a total consideration of \$5,832,535.



## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Acquisition of Businesses (Continued)

The purchase price has been allocated as follows:

Inventory	\$ 63,181
Goodwill	11,411,325
	<u>11,474,506</u>
Deferred revenue	5,641,971
	<u>\$ 5,832,535</u>

Pursuant to an asset purchase agreement (APA) dated July 9, 2021, the Company acquired all of the assets and assumed liabilities of several franchised spas located in Florida for a total consideration of \$5,249,420.

The purchase price has been allocated as follows:

Cash	\$ 2,400
Prepaid expenses	35,256
Security deposit	11,763
Inventory	124,236
Goodwill	9,075,321
	<u>9,248,976</u>
Accounts payable and accrued expenses	300,000
Deferred revenue	3,699,556
	<u>3,999,556</u>
	<u>\$ 5,249,420</u>

Pursuant to an APA dated September 29, 2021, the Company acquired all of the assets and assumed liabilities of several additional franchised spas located in Florida for a total consideration of \$6,638,778.

The purchase price has been allocated as follows:

Cash	\$ 6,000
Property equipment	951
Security deposit	40,689
Inventory	225,596
Goodwill	11,132,678
	<u>11,405,914</u>
Accounts payable and accrued expenses	450,000
Deferred revenue	4,317,136
	<u>4,767,136</u>
	<u>\$ 6,638,778</u>

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 2. Acquisition of Businesses (Continued)

The acquisitions of the Company were accounted for as business combinations using the acquisition method. Under the acquisition method of accounting, the assets acquired, and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values. The determination of fair value reflects the Company's estimates and assumptions. The Company recognized the excess of purchase price over the fair value of the net assets as goodwill. The goodwill arising from the acquisitions is attributed to the cumulative processes, procedures and knowledge of the workforce in place. A majority of the goodwill is deductible from income tax purposes. The estimated life of the acquired goodwill is 10 years and will be amortized on a straight-line basis.

In connection with the acquisitions, the Company incurred transactions costs of \$184,271 for the period from June 2, 2022 to December 31, 2022 (Successor) and \$717,032 for the year ended December 31, 2021 (Predecessor), which is included in transaction expenses in the consolidated statements of operations.

#### Note 3. Goodwill and Intangible Assets

The gross carrying amount and accumulated amortization of identifiable intangible assets consists of the following at December 31, 2022 (Successor) and December 31, 2021 (Predecessor):

	December 31, 2022 (Successor)			
	Weighted Average Life	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	12 years	\$ 308,921,000	\$ (15,016,993)	\$ 293,904,007
December 31, 2021 (Predecessor)				
	Weighted Average Life	Cost	Accumulated Amortization	Net Book Value
Trade names	Indefinite	\$ 33,800,000	\$ -	\$ 33,800,000
Franchise agreements	15 years	37,400,000	(16,830,000)	20,570,000
Program material	4 years	510,000	(510,000)	-
		<u>\$ 71,710,000</u>	<u>\$ (17,340,000)</u>	<u>\$ 54,370,000</u>

Intangible assets amortization expense was \$15,016,993, \$1,038,890 and \$2,493,314 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

Estimated amortization of intangible assets over the next five years is as follows:

2023	\$ 25,743,417
2024	25,743,417
2025	25,743,417
2026	25,743,417
2027	25,743,417
Thereafter	165,186,922
	<u>\$ 293,904,007</u>

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 3. Goodwill and Intangible Assets (Continued)

The following summarizes the changes to goodwill during the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor):

Goodwill, December 31, 2020 (Predecessor)	\$ 23,040,647
Goodwill acquired	20,207,999
Goodwill amortization	<u>(6,040,574)</u>
Goodwill, December 31, 2021 (Predecessor)	37,208,072
Goodwill acquired	-
Goodwill amortization	<u>(3,163,615)</u>
Goodwill, June 1, 2022 (Predecessor)	<u>\$ 34,044,457</u>
Goodwill, June 2, 2022 (Successor)	\$ -
Goodwill acquired	614,909,912
Goodwill amortization	<u>(35,384,367)</u>
Goodwill, December 2022 (Successor)	<u>\$ 579,525,545</u>

Goodwill amortization expense was \$35,384,367, \$3,163,615 and \$6,040,574 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

Estimated future aggregate amortization expense for goodwill for the next five years is as:

2023	\$ 61,490,991
2024	61,490,991
2025	61,490,991
2026	61,490,991
2027	61,490,991
Thereafter	<u>272,070,590</u>
	<u>\$ 579,525,545</u>

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 4. Property and Equipment

Property and equipment at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), consists of the following:

	December 31, 2022 (Successor)	December 31, 2022 (Predecessor)
Furniture and fixtures	\$ 3,926	\$ 124,083
Machinery and equipment	164,816	232,044
Leasehold improvements	627,318	698,312
Design project	12,189	48,150
Enterprise software	145,915	715,584
Franchise development website	67,393	309,552
Business intelligence	690	455,478
	<u>1,022,247</u>	<u>2,583,203</u>
Accumulated depreciation and amortization	(50,828)	(1,442,498)
Total property and equipment, net	<u>\$ 971,419</u>	<u>\$ 1,140,705</u>

Depreciation and amortization expense on property and equipment was \$50,828, \$81,561 and \$284,935 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

#### Note 5. Income Taxes

On December 22, 2017, H.R. 1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as the Tax Cuts and Jobs Act, was signed into law (Tax Reform Legislation). The Tax Reform Legislation is subject to further clarification by the issuance of future technical guidance by the U.S. Department of the Treasury and/or future technical correction legislation.

The Tax Reform Legislation provides for a permanent reduction in the Federal corporate income tax rate to 21% effective January 1, 2018, among other provisions.

The total income tax expense for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), comprise the following:

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	Year Ended December 31, 2021 (Predecessor)
Current provision:			
Federal and state	\$ 1,026,139	\$ 13,559	\$ 6,224,986
Deferred provision:			
Federal and state	1,062,553	175,314	(556,414)
	<u>\$ 2,088,692</u>	<u>\$ 188,873</u>	<u>\$ 5,668,572</u>

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Income Taxes (Continued)

Components of the Company's deferred tax assets (liabilities) at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), are as follows:

	December 31, 2022 (Successor)	December 31, 2021 (Predecessor)
Noncurrent assets (liabilities):		
Property and equipment	\$ (106,569)	\$ (49,039)
Deferred revenue, net	3,164,458	3,303,232
Intangible assets	(75,549,522)	(16,223,519)
Stock option expense	-	260,859
GAAP rent expense	-	20,969
Net operating loss	18,734,515	-
Other	77,910	-
Total deferred tax liabilities, net	<u>\$ (53,679,208)</u>	<u>\$ (12,687,498)</u>

The Company follows guidance pursuant to Revenue Procedure 2004-34, which allows a one-year deferral to account for the proper tax application of advanced payments and deferred revenue.

As of December 31, 2022, the Company had federal and state NOL carryforwards of approximately \$71.6 million and \$59.3 million, respectively, before any limitations. The federal NOL has an indefinite carryforward period and the state NOLs will expire at various times beginning in 2032.

Utilization of NOL carryforwards are subject to an annual limitation due to ownership change limitations that have occurred as required by Section 382 of the Code. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income. On June 2, 2022, a change in control occurred as defined by IRS section 382.

Consequently, the Company's utilization of the NOL carryforwards are subject to an annual limitation of approximately \$9 million under Section 382 of the Code, which is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments, as required. In addition, such annual limitation amount may be increased by the recognized built-in gains during the five-year post-change Recognition Period. Accordingly, the total annual section 382 limitation for each year of the Recognition Period is increased by the yearly realized built-in gain amount of approximately \$55.6 million.

#### Note 6. Stock Options

The Company had a nonqualified stock option agreements with certain key employees. Under the terms of the agreements, the Company has granted options with 10-year terms that generally vest over a five-year period. The stock option plan was discontinued effective June 1, 2022.

The Company used the Black-Scholes option valuation model for estimating the fair value of its stock options upon the date of grant. Since the Company is not a public entity, the volatility of the stock was estimated using comparable industry companies.

At December 31, 2021 (Predecessor), 110,750 stock options were vested, and 328 were exercised.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 6. Stock Options (Continued)

The weighted-average assumptions on the following page were used to estimate the value of options granted in 2021:

	<u>2021 (Predecessor)</u>
Risk-free interest rate	0.10%
Expected volatility	44.00%
Expected dividend yield	6.00%
Expected term of stock options	10 years
Expected life	5 years

Stock option expense was \$0, \$51,302 and \$130,355 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively and was included in selling, general and administrative expenses on the consolidated statements of operations and comprehensive income.

The plan was terminated on June 2, 2022 as a result of the change in control.

#### Note 7. Cash Flow Information

Supplemental cash flow information for the for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor) are as follows:

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	Year Ended December 31, 2021 (Predecessor)
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	\$ -	\$ -	\$ 3,208,000
Supplemental disclosure of non-cash investing activities:			
Noncash rollover equity related to the acquisition	\$ 13,533,361	\$ -	\$ -
Earnout related to territory acquisition included in accrued expenses	-	-	2,000,000
	<u>\$ 13,533,361</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

#### Note 8. Leases

The Company leases real estate, including office locations operating lease agreements. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term which vary by location. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. These leases expire at various dates through September 2032.

## Hand and Stone Franchise Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 8. Leases (Continued)

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. For the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), was \$707,383, \$480,616 and \$765,670, respectively.

As of December 31, 2022, the weighted average of remaining lease term was 6.3 years, and the weighted average discount rate was 2.1%

Future undiscounted cash flows for each of the next five years and thereafter are as follows as of December 31, 2022:

Years ending December 31:	
2023	\$ 1,291,457
2024	1,093,779
2025	972,461
2026	971,016
2027	832,512
Thereafter	1,666,161
Total lease payments	<u>6,827,386</u>
Less imputed interest	<u>(400,161)</u>
Total present value of lease liabilities	<u>\$ 6,427,225</u>

Supplemental disclosure of cash flow information related to leases was as follows:

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,242,064	\$ -

#### Note 9. Subsequent Events

The Company has evaluated subsequent events occurring after the balance sheet through the date of May 17, 2023, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Company has determined that no events are material to disclose, except as noted below.

On May 2, 2023 the Company entered into a Purchase Agreement with a third party in the amount of \$6,000,000 for the rights to a location in Florida.

**HAND AND STONE FRANCHISE CORP.  
AND SUBSIDIARIES**

**Consolidated Financial Report**

**December 31, 2021**



**HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES**

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**December 31, 2021 and 2020**

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## Independent Auditor's Report

§ LLP

To the Board of Directors  
Hand and Stone Franchise Corp.

### Opinion

We have audited the consolidated financial statements of Hand and Stone Franchise Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 Audit of the Financial Statements section of our report. We are required to be independent of the Company 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.

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 the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Blue Bell, Pennsylvania  
April 29, 2022

**HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**Years ended December 31, 2021 and 2020**

<b>Assets</b>		
	2021	2020
<b>Current assets:</b>		
Cash	\$ -	\$ 2,894,160
Accounts receivable	2,347,253	2,249,175
Inventory	526,713	361,145
Notes receivable	2,908,392	503,635
Deferred opening expenses	388,960	357,183
Other current assets	19,902	8,916
Prepaid expense	1,370,781	970,864
<b>Total current assets</b>	<u>7,562,001</u>	<u>7,345,078</u>
Property and equipment, net	<u>1,140,705</u>	<u>1,113,307</u>
<b>Other assets:</b>		
Intangible assets, net	54,370,000	56,863,333
Goodwill, net	37,208,072	23,040,647
Deferred opening expenses, net of current portion	2,429,701	2,722,045
Security deposits	54,053	15,263
Territory assets, net	14,873,638	6,101,020
<b>Total other assets</b>	<u>108,935,464</u>	<u>88,742,308</u>
<b>Total assets</b>	<u>\$ 117,638,170</u>	<u>\$ 97,200,693</u>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 13,219,568	\$ 7,115,666
Gift card liability	5,909,404	6,617,982
Deferred revenue	1,327,082	1,000,630
Deferred revenue, spa	10,679,902	2,299,560
<b>Total current liabilities</b>	<u>31,135,956</u>	<u>17,033,838</u>
<b>Long term liabilities:</b>		
Deferred revenue, net of current portion	8,305,553	7,899,676
Deferred tax liability	12,687,498	13,207,696
<b>Total long term liabilities</b>	<u>20,993,051</u>	<u>21,107,372</u>
<b>Total liabilities</b>	<u>52,129,007</u>	<u>38,141,210</u>
Commitments and contingencies (Note 7)		
<b>Stockholders' equity:</b>		
Common stock (1,000,000 authorized, 870,328 issued and outstanding)	870	870
Additional paid in capital	37,466,927	41,998,836
Retained Earnings	28,041,366	17,059,777
<b>Total stockholders' equity</b>	<u>65,509,163</u>	<u>59,059,483</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 117,638,170</u>	<u>\$ 97,200,693</u>

See notes to the consolidated financial statements.

**HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**Years ended December 31, 2021 and 2020**

**Revenues:**

	<u>2021</u>	<u>2020</u>
Royalties	\$ 30,079,795	\$ 20,703,601
Initial license fees	1,182,151	1,757,101
Regional developer fees	87,278	64,517
Franchisee spa sales	5,992,531	1,345,052
Equipment sales	2,060,177	2,486,316
Marketing and advertising fees	25,174,691	17,602,990
Gift certificate revenue	4,784,249	2,135,236
Franchisee IT support fees	3,392,589	2,284,418
HS Design	334,416	200,232
Other revenues	3,495,221	2,493,387
<b>Total revenues</b>	<u>76,583,098</u>	<u>51,072,850</u>

**Expenses:**

Selling, general and administration expenses	58,421,422	41,273,541
Cost of goods sold - equipment	1,739,077	2,088,823
<b>Total expenses</b>	<u>60,160,499</u>	<u>43,362,364</u>

**Income from operations**

<u>16,422,599</u>	<u>7,710,486</u>
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**Other income**

Interest income	227,562	1,573
<b>Total other expense</b>	<u>227,562</u>	<u>1,573</u>

**Income before provision for income taxes**

16,650,161	7,712,059
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**Provision for income taxes**

(5,668,572)	(1,687,587)
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**Net income**

<u>\$ 10,981,589</u>	<u>\$ 6,024,472</u>
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See notes to the consolidated financial statements.

**HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**Years ended December 31, 2021 and 2020**

	<u>Common Stock, Class A</u>				
	<u>Number of Shares</u>		<u>Additional Paid-in</u>		<u>Total Stockholders'</u>
	<u>Outstanding</u>	<u>Amount</u>	<u>Capital</u>	<u>Retained Earnings</u>	<u>Equity</u>
Balance, January 1, 2020	870,000	\$ 870	\$ 53,735,410	\$ 11,035,305	\$ 64,771,585
Stock based compensation	-	-	179,414	-	179,414
Stock option exercised	328	-	9,296	-	9,296
Dividends	-	-	(11,925,284)	-	(11,925,284)
Net income	-	-	-	6,024,472	6,024,472
Balance, December 31, 2020	870,328	870	41,998,836	17,059,777	59,059,483
Stock based compensation	-	-	130,355	-	130,355
Net income	-	-	-	10,981,589	10,981,589
Dividends	-	-	(4,662,264)	-	(4,662,264)
Balance, December 31, 2021	870,328	\$ 870	\$ 37,466,927	\$ 28,041,366	\$ 65,509,163

See notes to the consolidated financial statements.

**HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Net Loss	\$ 10,981,589	\$ 6,024,472
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	12,046,225	11,345,464
Stock based compensation	130,355	179,414
Deferred income taxes	(556,414)	(1,423,053)
(Increase) Decrease in:		
Accounts and notes receivable	(2,502,835)	471,663
Inventory	184,264	(94,022)
Deferred opening expenses	260,567	(201,927)
Prepaid expense	(364,661)	279,246
Security deposits and other assets	2,676	4,362
Increase (Decrease) in:		
Accounts payable and accrued expense	3,390,118	(2,139,753)
Gift card liability	(708,578)	174,164
Deferred revenue	732,328	(865,051)
Deferred revenue, spa	363,650	363,821
Net Cash Provided by Operating Activities	<u>23,959,284</u>	<u>14,118,800</u>
Cash flow from investing activities:		
Acquisition of businesses, net of cash acquired	(11,879,798)	-
Acquisition of territory	(10,000,000)	-
Purchase of property and equipment	(311,382)	(185,207)
Net Cash Used in Investing Activities	<u>(22,191,180)</u>	<u>(185,207)</u>
Cash flow from financing activities		
Dividends paid	(4,662,264)	(11,925,284)
Stock options exercised	-	9,296
Net Cash Used in Financing Activities	<u>(4,662,264)</u>	<u>(11,915,988)</u>
Net Increase (Decrease) in Cash	(2,894,160)	2,017,605
Cash, Beginning	2,894,160	876,555
Cash, Ending	<u>\$ -</u>	<u>\$ 2,894,160</u>

See notes to the consolidated financial statements.

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

HS Intermediate Holdings Inc. ("Holdings") is the parent company to HS Parent Inc. ("Parent"), which is the parent company to Hand and Stone Franchise Corp (the "Corp" or "Franchisor"). Franchisor is engaged in the business of providing franchise opportunities in the facials and massage spa industry throughout the United States of America. The spas offer a variety of hot stone, therapeutic, and relaxation massages and facial services to the general public through member and non-member programs. All spas are independently owned and operated under the terms of conventional franchise arrangements (Franchisees). When granting franchises, Corp is very selective in the franchisee qualification process. After paying the initial franchise fee, franchisees contribute to Corp's revenue stream through the payment of royalties based upon a percentage of sales. The conventional franchise arrangement typically lasts 10 years for franchisees and 15 years for regional developers, at which time the arrangements are able to be renewed. On October 1, 2014, Hand and Stone Franchise Corp. also acquired HS Hamilton Spa, LLC. which owns and operates a franchise location under license from the franchisor. HS Hamilton Spa, LLC provides the same variety of services mentioned above. In October of 2018, Hand and Stone Franchise Corp formed H&S Spa Management LLC. which owns and operates 11 franchise locations under the license from the franchisor.

#### **Basis of Consolidated Statements**

The accompanying financial statements present the consolidated financial statements of Corp, and its wholly owned subsidiaries HS Card Services, Inc., HS Hamilton Spa, LLC., H&S Spa Management LLC., HS Design, LLC. and HSM Advertising, Inc. (collectively the "Company"). HS Card Services, Inc. was formed in July 2013 to market, sell, process and maintain the national gift card program for Corp. HS Card Services, Inc. is a Pennsylvania corporation. HS Hamilton Spa, LLC., was formed in October 2014 to purchase the assets of the Hamilton Hand and Stone Massage and Facial Spa from common ownership. HS Hamilton Spa, LLC. is a Pennsylvania company as they re-domiciled in 2015 from New Jersey. H&S Spa Management, LLC, was formed in 2018 to purchase the assets of the Englewood Hand and Stone Massage and Facial Spa from common ownership and subsequently used to purchase 10 additional Hand and Stone spas. H&S Spa Management, LLC. is a Pennsylvania company. HSM Advertising, Inc. was formed in August 2009 to be the in-house advertising agency for Corp and its franchisees. HSM Advertising Inc. is a New Jersey corporation. HS Design, LLC. was formed in September 2017 to provide architectural drawings and other design services and to be the in-house design company for Corp and its franchisees. HS Design, LLC. is a Pennsylvania company. All significant intercompany balances and transactions have been eliminated.

#### **Revenue Recognition and Deferred Revenue**

The Company's revenues consist principally of sales of franchises, royalty fees collected from franchisees and the sale of equipment and supplies. Other revenues include support service fees, vendor commissions and marketing and advertising fees.

Initial franchise fees are recognized as the performance obligations are met. Unearned franchise fees are included in deferred revenue in the accompanying balance sheet. In accordance with the Company's Franchise Disclosure Document ("FDD"), the Franchisor will provide certain support services to the franchisees. Prior to the spa opening, the Franchisor will designate a protected territory for the franchisee and approve the site and lease of the spa. The Franchisor will also provide the franchisee with standard plans and specifications of required supplies, equipment, and improvements, which the franchisee is responsible for purchasing. The Company will also provide initial training, equipment set up and on site assistance in conjunction with the regional developers, if applicable, for five business days in conjunction with, and prior to the beginning of operations.



## HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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A portion of the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, a portion of the initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement (15 years), which is consistent with the franchisee's right to use and benefit from the intellectual property. For any portion of the initial franchise fees that are considered to be individually distinct from the ongoing services provided to the franchisee, the Company would recognize those initial franchise fees as each individual performance obligation is satisfied.

Income from the sale of regional development agreements is recognized on a straight-line basis over the term of the agreement since the Company's obligation remains the same during the entire term.

Royalties from franchisees are recognized in the period that the associated revenues of the franchisees are earned. In the case of terminated agreements, deferred regional development and initial franchise fee revenue is recognized immediately upon the termination of their respective agreements as future services are no longer required by the Company. In addition, each franchisee is required to pay \$627 per month for computer software maintenance and support, which is included in franchisee IT support fees.

The Company recognizes revenue from sales of equipment to franchisees upon opening of the spa, which is when the Company has performed substantially all opening services required by the franchise agreement. The Company's policy is to present sales revenues net of sales taxes collected from its customers. Support service fees are recognized as services are provided. Vendor commissions are recognized as earned.

Marketing fees are for future advertising, marketing and promotional programs. The Company's franchise network contribute part of its gross revenues as defined in the franchise agreement to the Company to promote the products and services offered by the franchise network. The gross revenues and expense associated with these payments are recognized in the statement of operations.

National advertising fees are based on a percentage of franchisee gross monetary sales, as defined in the franchise agreement, and are used for marketing and advertising provided to franchisees. The Company is obligated to spend these advertising fees on advertising related costs on behalf of the franchisees. The receipts and expenditures associated with these payments are recognized in the consolidated balance sheets having no effect on income from operations.

HS Hamilton Spa, LLC. and H&S Spa Management, LLC. (collectively referred to as "Spa"), principally performs spa services through introductory offers, membership sales, gift card sales, product offerings and upgrades. Spa recognizes revenue for introductory offers, product sales and upgrades when the service or transaction is complete. Spa recognizes revenue as the performance obligation is satisfied for both memberships and gift card sales. Unused membership and unredeemed gift cards are accounted for as deferred revenue, spa. Spa recognizes revenue from unredeemed membership packages ninety days (90) days after the cancellation of membership. Spa recognizes revenue from unredeemed gift card sales based on the age of the liability and the expected utilization. Spa recognized revenue from unredeemed gift cards of \$836,751 and \$208,830 for the years ended December 31, 2021 and 2020, respectively.

HS Design, LLC. ("Design") principally performs architectural services through drawings and review of third party drawings. Design recognizes revenue for drawings and reviews when the service is complete.

Deferred opening expenses of \$2,818,661 and \$3,079,228 at December 31, 2021 and 2020, represent commissions and other costs paid to individuals who performed certain services related

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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to franchisees who have entered into franchise agreements, but not yet opened. These costs are deferred until such time as franchise revenue associated with these opening expenses is recognized.

Revenue from royalties, franchisee spa sales, equipment sales, marketing fees, gift certificate revenue, franchisee IT support fees, HS Design and other revenues are recognized at a point in time, whereas revenue from initial license fees and regional developer fees is recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue recognized over time	\$ 1,196,228	\$ 1,290,402
Revenue recognized at a point in time	<u>75,386,870</u>	<u>49,782,448</u>
	<u>\$ 76,583,098</u>	<u>\$51,072,850</u>

### Use of Estimates

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

### Accounts Receivable

Management reviews all accounts receivable and royalty receivable balances that exceed 90 days from the due date and, based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. The Company believes that the receivables are fully collectible and therefore has not established a reserve for doubtful accounts. The Company does not require collateral from its customers, and the receivables are stated at amounts billed and are non-interest bearing.

### Inventory

Inventory, consisting of printed materials for resale to franchisees and spa products available for consumers, are stated at the lower of cost (first in, first out basis) and net realizable value.

### Notes Receivable

Notes receivable consists of advances to management on future bonuses and an advance to a related party which are expected to be repaid over the next 12 months.

### Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Life</u>
Leasehold improvements	Shorter of lease term or useful life
Office equipment	5-10 years
Furniture and fixtures	5-10 years
ERP system development costs	5 years
Business intelligence platform	5 years
Website development costs	2-5 years

### Franchise Arrangements

Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as continuing royalties of 5% to the Company based on sales. Effective April 2016,

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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all new franchise agreements and renewals executed subsequent to this date have royalties of 6% from the 53<sup>rd</sup> week of their operations and after. Hand and Stone franchisees are granted the right to operate a spa for a period of 10 years. As of December 31, 2021 and 2020, there were 473 and 451 franchise outlets including corporate owned franchisees in operation, respectively.

### **Regional Development Agreements**

The regional developers have the opportunity to own and operate one or more franchises. Regional developers can also offer franchises to others within their territory.

Regional Developers are responsible for servicing and training franchisees in their area on an ongoing basis. The Regional Developers currently receive 50% of the net initial franchise fee (after deduction for third party costs) and 40% to 50% of royalties from the franchises established in their territory, which are reflected in commission expense.

### **Commissions**

Under the terms of various broker agreements with third parties, the Company agrees to pay up to 40% for referral of a candidate who purchases an individual franchise. Commissions are deferred until the related revenue is recognized under the terms of the respective agreements.

### **Advertising**

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$643,782 and \$383,692, respectively.

### **Stock Option Plan**

The Company accounts for stock options in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, *Share-Based Compensation*, which requires that compensation cost relating to share based payment transactions be recognized as an expense in the financial statements on a straight line basis over the vesting period and cost measured based on the estimated fair value of the equity or liability instrument at the date granted. The policy also requires that forfeitures be estimated and recorded over the vesting period of the instrument.

### **Reacquired Territory Rights**

Reacquired territory rights arising from the repurchase of regional development agreements are recorded at the lower of cost or market and are amortized over the unexpired term using the straight-line method. The amortization expense for the years ended December 31, 2021 and 2020 was \$3,227,381 and \$3,147,774, respectively.

### **Gift Card Liability**

Gift cards are sold through the national gift card website by HS Card Services, Inc. The gift card liability at December 31, 2021 and 2020 represents gift cards that have been sold prior to the balance sheet date that have not yet been redeemed. All Company gift cards issued in the U.S. by HS Card Services, Inc. are valid for services at any franchisee location in the U.S. Once gift cards are redeemed at local franchisees, the Company reimburses the local franchisee. The Company recognizes a gift card service fee at time of sale. The Company establishes a reserve for the estimated amount of gift cards that may not be redeemed and records the change in the reserve as gift card revenue. The gift card liability as of December 31, 2021 and 2020 was \$5,909,404 and \$6,617,982, respectively. The Company recognized gift card breakage revenue of \$3,889,781 in 2021 and \$1,892,307 in 2020.

### **Income Taxes**

The Company accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income tax assets are recognized for deductible temporary differences

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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and deferred income tax liabilities are recognized for taxable temporary differences. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is recognized in income in the period when the change is enacted.

Based on consideration of all available evidence regarding their utilization, net deferred tax assets are recorded to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained based solely on its technical merits and consideration of relevant taxing authorities widely understood administrative practices and precedents. The Company has analyzed its tax position and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken on current tax returns. The Company is not aware of any tax positions for which it is reasonably possible that the total of amounts of unrecognized tax benefits will change in the next twelve months. The Company is no longer subject to U.S federal and state tax exemptions for the year prior to 2018. There are no current U.S. federal or state income tax examinations.

### **Defined Contribution Plan**

The Company sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees of the Company. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to IRS limits. The Company contributed \$205,670 and \$60,967 for the years ended December 31, 2021 and 2020, respectively.

### **Goodwill**

The Company accounts for goodwill in accordance with FASB Accounting Standards Update ("ASU") 2014-18. Under this guidance, the Company will not separately identify certain other identifiable intangible assets, such as customer lists and covenants not to compete, from goodwill. The Company is also electing to amortize goodwill over a 10 year life.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions.

### **Intangible Assets**

The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgments and assumptions. Intangible assets include trade names, franchise relationships and program material which are amortized on a straight line basis over its useful lives ranging from 4 to 15 years, except for the trade names which were determined to have indefinite lives.

### **Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property and equipment and definite lived intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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exceeds its fair value. Indefinite lived intangibles are subject to an annual impairment test using a two-step process prescribed by guidance issued by the FASB. The first step tests for potential impairment, while the second step measures the amount of impairment, if any. The Company performs the required annual impairment test during December of each year.

### **Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months, Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the fiscal years beginning after December 15, 2021, including the periods within those fiscal years. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. This ASU is effective for the Company beginning on January 1, 2022. The Company is currently evaluating the impact of this new guidance on its consolidated financial statements.

### **Note 2. Acquisition of Businesses**

Pursuant to an asset purchase agreement (“APA”) dated July 9, 2021, the Company acquired all of the assets and assumed liabilities of several franchised spas located in Florida for a total consideration of \$5,249,420.

The purchase price has been allocated as follows:

## HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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Cash	\$	2,400
Prepaid Expenses		35,256
Security Deposit		11,763
Inventory		124,236
Goodwill		9,075,321
		<u>9,248,976</u>
Accounts payable and accrued expenses		300,000
Deferred Revenue		3,699,556
		<u>3,999,556</u>
	\$	<u>5,249,420</u>

Pursuant to an asset purchase agreement (“APA”) dated September 29, 2021, the Company acquired all of the assets and assumed liabilities of several additional franchised spas located in Florida for a total consideration of \$6,638,778.

The purchase price has been allocated as follows:

Cash	\$	6,000
Property Equipment		951
Security Deposit		40,689
Inventory		225,596
Goodwill		11,132,678
		<u>11,405,914</u>
Accounts payable and accrued expenses		450,000
Deferred Revenue		4,317,136
		<u>4,767,136</u>
	\$	<u>6,638,778</u>

The acquisitions of the Company were accounted for as business combinations using the acquisition method. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values. The determination of fair value reflects the Company’s estimates and assumptions. The Company recognized the excess of purchase price over the fair value of the net assets as goodwill. The goodwill arising from the acquisitions is attributed to the cumulative processes, procedures and knowledge of the workforce in place. A majority of the goodwill is deductible from income tax purposes. The estimated life of the acquired goodwill is 10 years and will be amortized on a straight-line basis.

In connection with the acquisitions, the Company incurred transactions costs of \$717,031 in 2021, which is included in selling, general and administrative expense in the Consolidated Statements of Operations.

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 3. Goodwill and Intangible Assets

The gross carrying amount and accumulated amortization of identifiable intangible assets consists of the following at December 31, 2021 and 2020:

	Weighted Average Life	2021		Net Book Value
		Cost	Accumulated Amortization	
Trade names	Indefinite	\$ 33,800,000	\$ -	\$ 33,800,000
Franchise agreements	15 years	37,400,000	(16,829,980)	20,570,000
Program material	4 years	510,000	(510,000)	-
		<u>\$ 71,710,000</u>	<u>\$ (17,339,980)</u>	<u>\$ 54,370,000</u>

	Weighted Average Life	2020		Net Book Value
		Cost	Accumulated Amortization	
Trade names	Indefinite	\$ 33,800,000	\$ -	\$ 33,800,000
Franchise agreements	15 years	37,400,000	(14,336,667)	23,063,333
Program material	4 years	510,000	(510,000)	-
		<u>\$ 71,710,000</u>	<u>\$ (14,846,667)</u>	<u>\$ 56,863,333</u>

Intangible assets amortization expense was \$2,493,314 and \$2,493,314 for the years ended December 31, 2021 and 2020.

Estimated amortization of intangible assets over the next five years is as follows:

2022	\$ 2,493,333
2023	2,493,333
2024	2,493,333
2025	2,493,333
2026	2,493,333
Thereafter	8,103,335
	<u>\$ 20,570,000</u>

The following summarizes the changes to goodwill during the years ended December 31, 2021 and 2020.

Goodwill, January 1, 2020	\$ 28,489,612
Goodwill amortization	(5,448,965)
Goodwill, December 31, 2020	23,040,647
Goodwill acquired	20,207,999
Goodwill amortization	(6,040,574)
Goodwill, December 31, 2021	<u>\$ 37,208,072</u>

Goodwill amortization expense was \$6,040,574 and \$5,448,965 for the years ended December 31, 2021 and 2020.

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Estimated future aggregate amortization expense for goodwill for the next five years is as follows:

2022	\$	7,449,310
2023		7,449,310
2024		7,449,310
2025		3,347,407
2026		2,020,800
Thereafter		9,491,935
	\$	<u>37,208,072</u>

### Note 4. Property and Equipment

Property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 124,083	\$ 111,342
Machinery and equipment	232,044	178,044
Leasehold improvements	698,312	659,087
Design project	48,150	48,150
Enterprise software	715,584	688,619
Franchise development website	309,552	283,102
Business intelligence	455,478	302,526
	<u>2,583,203</u>	<u>2,270,870</u>
Accumulated depreciation and amortization	(1,442,498)	(1,157,564)
Total property and equipment, net	<u>\$ 1,140,705</u>	<u>\$ 1,113,307</u>

Depreciation and amortization expense on property and equipment was \$284,935 and \$255,411 for the years ended December 31, 2021 and 2020, respectively.

### Note 5. Income Taxes

On December 22, 2017, H.R. 1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018," previously known as "The Tax Cuts and Jobs Act" was signed into law (Tax Reform Legislation). The Tax Reform Legislation is subject to further clarification by the issuance of future technical guidance by the U.S. Department of the Treasury and/or future technical correction legislation.

The Tax Reform Legislation provides for a permanent reduction in the Federal corporate income tax rate to 21% effective January 1, 2018, among other provisions.

The total income tax expense for the years ended December 31, 2021 and 2020 comprise the following:



# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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	<u>2021</u>	<u>2020</u>
Current Provision		
Federal and State	\$ 6,224,986	\$ 3,110,639
Deferred Provision		
Federal and State	(556,414)	(1,423,053)
	<u>\$ 5,668,572</u>	<u>\$ 1,687,586</u>

Components of the Company's deferred tax assets (liabilities) at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Non-current assets (liabilities)		
Property and Equipment	\$ (35,748)	\$ (37,719)
Deferred revenue, net	3,303,232	1,460,040
Intangible assets	(16,223,519)	(14,819,483)
Non-current assets (liabilities)- H&S Hamilton		
Property and Equipment	(13,291)	(60,410)
Stock Option Expense	260,859	231,441
GAAP Rent Expense	20,969	18,435
Total Deferred Tax Liabilities, net	<u>\$ (12,687,498)</u>	<u>\$ (13,207,696)</u>

The Company follows guidance pursuant to Revenue Procedure 2004-34, which allows a one year deferral to account for the proper tax application of advanced payments and deferred revenue.

### Note 6. Stock Options

The Company has entered into nonqualified stock option agreements with certain key employees. Under the terms of the agreements, the Company has granted options with ten year terms that generally vest over a five year period.

The Company uses the Black-Scholes option valuation model for estimating the fair value of its stock options upon the date of grant. Since the Company is not a public entity, the volatility of the stock was estimated using comparable industry companies.

At each of December 31, 2021 and 2020, 110,750 and 105,493 stock options were vested and 328 were exercised.

The following weighted-average assumptions were used to estimate the value of options granted in 2021 and 2020:

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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	<u>2021</u>	<u>2020</u>
Risk-free Interest rate	0.100%	0.100%
Expected volatility	46.00%	44.00%
Expected dividend yield	6.00%	6.00%
Expected term of stock options	10 years	10 years
Expected life	5 years	5 years

Stock option expense was \$130,355 and \$179,414 for the years ended December 31, 2021 and 2020, respectively and was included in selling, general and administrative expenses on the consolidated statement of operations.

### **Note 7. Commitments and Contingencies**

#### ***Employment Agreements***

The Company has entered into employment agreements with certain executives, officers and key personnel.

#### ***Operating Leases***

The Company holds fourteen leases. One lease is for office space in Trevese, Pennsylvania through March 2023. The other thirteen leases are for the Company's operated locations in New Jersey and Florida. Minimum rental payments required under non-cancelable obligations for the years subsequent to December 31, 2021 are approximately as follows:

2022	\$	1,288,434
2023		1,259,544
2024		1,079,324
2025		834,919
2026		845,882
Thereafter		<u>1,593,949</u>
	\$	<u>6,902,051</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$765,670 and \$429,893, respectively.

# HAND AND STONE FRANCHISE CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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### Note 8. Cash Flow Information

	<u>2021</u>	<u>2020</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 3,208,000</u>	<u>\$ 690,000</u>
Supplemental disclosure of non-cash investing activities:		
Earnout related to territory acquisition included in accrued expenses	<u>\$ 2,000,000</u>	<u>\$ -</u>

### Note 9. Subsequent Events

The Company has evaluated subsequent events occurring after the balance sheet through the date of April 29, 2022 which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Company has determined that no events are material to disclose, except as noted below.

On March 8, 2022, the Company entered into a Purchase Agreement with a third party in the amount of \$18,900,000 for the rights to the Florida regional territory.

**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.**

Hand and Stone Franchise Corporation  
H&S Balance Sheet  
For the Month Ended March 31, 2023

	<u>Current Month</u>	<u>Prior Month Ending</u>	<u>Change</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	1,742,484	6,374,878	-4,632,394
Account Receivable	6,499,763	6,859,294	-359,531
Inventories	1,003,764	1,003,326	438
Prepaid Commissions	-87,814	5,820	-93,633
Prepaid Expenses	2,229,429	2,324,378	-94,949
Prepaid Taxes	0	0	0
Deferred Tax Asset	620,093	620,093	0
Other Current Assets	1,097,396	982,270	115,127
<b>Total Current Assets</b>	<b>13,105,116</b>	<b>18,170,058</b>	<b>-5,064,942</b>
Fixed Assets	1,336,554	1,232,468	104,086
Accumulated Depreciation	-217,575	-195,083	-22,492
Prepaid Refinancing	9,701,611	9,731,100	-29,489
Goodwill	910,906,573	916,023,211	-5,116,638
Territory Assets	-2	-1,840,508	1,840,506
<b>Total Assets</b>	<b>934,832,278</b>	<b>943,121,246</b>	<b>-8,288,969</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	1,946,472	2,270,626	-324,154
Accrued Expenses	9,012,897	12,863,257	-3,850,360
Deferred RD Obligation	1,281,667	1,281,667	0
Due To / (From)	-1,049,422	-1,049,422	0
Payroll Liabilities	-26,614	-27,929	1,315
Gift Card Liability	4,421,052	4,774,823	-353,770
Deposits	670,242	154,889	515,353
Income Taxes Payable	3,264,662	3,092,485	172,177
Sales Tax Payable	-35,536	-57,353	21,817
Deferred Revenue	9,483,365	9,653,797	-170,432
Spa Deferred Revenue	17,089,233	17,372,406	-283,172
Deferred Marketing	-173,143	-102,066	-71,077
Revolver Debt	0	0	0
Current Sr. Debt	0	0	0
<b>Total Current Liabilities</b>	<b>45,884,876</b>	<b>50,227,180</b>	<b>-4,342,304</b>
Deferred Tax Liabilities	13,673,631	13,673,631	0
Long Term Sr. Debt	393,234,500	393,934,500	-700,000
Sub Debt	0	0	0
<b>Total Liabilities</b>	<b>452,793,007</b>	<b>457,835,311</b>	<b>-5,042,304</b>
Treasury Stock	127,213,697	125,916,236	1,297,460
<b>Total Shareholders' Equity</b>	<b>482,039,271</b>	<b>485,285,935</b>	<b>-3,246,665</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>934,832,278</b>	<b>943,121,246</b>	<b>-8,288,969</b>

Hand and Stone Consolidated  
Income Statement Total for All Departments  
For the Month Ended 032023

	Actual	Budget	Variance	Var. %	YTD Actual	YTD Budget	Variance	Var. %
<b>REVENUES</b>								
Company Operated	2,581,603	2,597,887	-16,284	-0.63%	7,118,779	7,258,778	-139,999	-01.93%
HS Design	11,000	37,500	-26,500	-70.67%	46,900	87,500	-40,600	-46.40%
Royalties	3,718,783	3,725,681	-6,898	-0.19%	9,186,136	9,182,251	3,885	00.04%
License and Transfer Fees	270,682	255,282	15,400	06.03%	661,246	697,096	-35,850	-05.14%
Gross Advertising	2,662,934	2,465,706	197,227	08.00%	6,876,075	7,030,546	-154,471	-02.20%
Equipment Revenue	124,874	306,083	-181,209	-59.20%	382,402	720,250	-337,848	-46.91%
Vendor Rebates / Other	452,419	405,921	46,498	11.46%	954,923	905,896	49,027	05.41%
IT Support Fee	356,929	349,753	7,176	02.05%	1,096,355	1,042,362	53,993	05.18%
Gift Card Breakage	162,615	162,615	0	00.00%	487,845	487,845	0	00.00%
<b>Total Revenues</b>	<b>10,341,839</b>	<b>10,306,429</b>	<b>35,410</b>	<b>00.34%</b>	<b>26,810,661</b>	<b>27,412,524</b>	<b>-601,862</b>	<b>-02.20%</b>
<b>DIRECT COST AND EXPENSES</b>								
Company Operated	2,249,124	2,162,477	86,648	04.01%	6,092,671	6,020,574	72,097	01.20%
Royalties Split	60,710	60,629	81	00.13%	155,474	148,987	6,487	04.35%
Initial License Fees & Transfer	113,484	48,387	65,098	134.54%	122,538	131,795	-9,257	-07.02%
Cost of Media	2,391,662	2,263,070	128,592	05.68%	6,193,981	6,356,965	-162,984	-02.56%
Cost of Equipment	97,926	246,993	-149,068	-60.35%	297,977	581,205	-283,228	-48.73%
Cost of Design	5,750	20,250	-14,500	-71.60%	24,400	47,250	-22,850	-48.36%
<b>Total Direct Expense</b>	<b>4,918,657</b>	<b>4,801,806</b>	<b>116,850</b>	<b>02.43%</b>	<b>12,887,040</b>	<b>13,286,775</b>	<b>-399,735</b>	<b>-03.01%</b>
<b>MARGINAL CONTRIBUTION</b>								
Net Company Operated	332,479	435,410	-102,931	-23.64%	1,026,108	1,238,203	-212,096	-17.13%
Net Royalties	3,658,073	3,665,052	-6,979	-0.19%	9,030,663	9,033,265	-2,602	-00.03%
Net License Fees & Transfer	157,198	206,895	-49,698	-24.02%	538,708	565,301	-26,593	-04.70%
Net Advertising Commissions	271,272	202,636	68,636	33.87%	682,095	673,581	8,513	01.26%
Net Equipment	26,948	59,090	-32,142	-54.39%	84,425	139,045	-54,620	-39.28%
Net Design	5,250	17,250	-12,000	-69.57%	22,500	40,250	-17,750	-44.10%
Vendor Rebates & Other	452,419	405,921	46,498	11.46%	954,923	905,896	49,027	05.41%
IT Support Fee	356,929	349,753	7,176	02.05%	1,096,355	1,042,362	53,993	05.18%
Gift Card Breakage	162,615	162,615	0	00.00%	487,845	487,845	0	00.00%
<b>Total Marginal Contribution</b>	<b>5,423,183</b>	<b>5,504,622</b>	<b>-81,440</b>	<b>-01.48%</b>	<b>13,923,621</b>	<b>14,125,748</b>	<b>-202,127</b>	<b>-01.43%</b>
<b>OVERHEAD DEPARTMENTS</b>								
Wage Expense	795,666	760,452	35,215	04.63%	1,966,094	1,945,597	20,497	01.05%
Employee Commissions	99,654	125,092	-25,438	-20.34%	129,784	165,698	-35,913	-21.67%
Employee Benefits - Health	49,064	72,819	-23,754	-32.62%	177,444	210,877	-33,433	-15.85%
Employer Payroll Tax	66,370	68,601	-2,231	-03.25%	194,859	225,646	-30,787	-13.64%
401K Match Expense	19,855	22,814	-2,958	-12.97%	50,529	58,368	-7,839	-13.43%
Annual Bonus Expense	82,050	82,050	0	00.00%	211,614	244,005	-32,391	-13.27%
<b>Total Wage and Wage Related</b>	<b>1,112,660</b>	<b>1,131,826</b>	<b>-19,166</b>	<b>-01.69%</b>	<b>2,730,325</b>	<b>2,850,190</b>	<b>-119,865</b>	<b>-04.21%</b>
Advertising and Promo	27,947	28,737	-790	-02.75%	101,774	98,013	3,761	03.84%
Bad Debt	0	0	0	00.00%	0	0	0	00.00%
Banking	8,223	9,447	-1,224	-12.96%	30,739	29,818	921	03.09%
Copier and Equipment	154	679	-526	-77.38%	607	1,047	-439	-41.98%
Insurances	70,921	72,917	-1,996	-02.74%	213,026	218,750	-5,724	-02.62%
IT & Communication	258,592	260,362	-1,770	-00.68%	778,891	781,086	-2,195	-00.28%
Legal	27,452	28,562	-1,110	-03.89%	103,206	80,939	22,267	27.51%
Occupancy Costs	15,306	14,881	425	02.86%	48,437	43,651	4,787	10.97%
Office Expense	7,832	9,478	-1,646	-17.37%	23,782	7,203	16,579	230.18%
Professional Fees	55,514	55,013	501	00.91%	105,638	100,562	5,076	05.05%
Real Estate	0	0	0	00.00%	0	0	0	00.00%
Travel and Entertainment	115,598	119,840	-4,242	-03.54%	300,582	275,837	24,745	08.97%
Training	25,035	31,373	-6,338	-20.20%	56,455	70,776	-14,321	-20.23%
Miscellaneous Expense	0	0	0	00.00%	0	0	0	00.00%
Other	0	0	0	00.00%	0	0	0	00.00%
<b>Total Non Labor</b>	<b>612,572</b>	<b>631,289</b>	<b>-18,716</b>	<b>-02.96%</b>	<b>1,763,138</b>	<b>1,707,682</b>	<b>55,456</b>	<b>03.25%</b>
<b>Total SG&amp;A</b>	<b>1,725,233</b>	<b>1,763,115</b>	<b>-37,882</b>	<b>-02.15%</b>	<b>4,493,463</b>	<b>4,557,872</b>	<b>-64,409</b>	<b>-01.41%</b>
<b>EBITDA</b>	<b>3,697,950</b>	<b>3,741,507</b>	<b>(43,557)</b>	<b>-1.16%</b>	<b>9,430,158</b>	<b>9,567,876</b>	<b>(137,718)</b>	<b>-1.44%</b>

**EXHIBIT D TO THE DISCLOSURE DOCUMENT**  
**FRANCHISE AGREEMENT**

**HAND AND STONE FRANCHISE LLC**  
**FRANCHISE AGREEMENT**

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**FRANCHISEE**

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**DATE**



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**EXHIBITS:**

- Exhibit A – Approved Location; Protected Territory
- Exhibit B – Nondisclosure and Non-Competition Agreement
- Exhibit C – Transfer to a Corporation or Limited Liability Company
- Exhibit D – Collateral Assignment and Assumption of Lease
- Exhibit E – Acknowledgment of Telephone Number Ownership
- Exhibit F – ACH Agreement
- Exhibit G – Franchisee Disclosure Acknowledgment Statement

## HAND AND STONE FRANCHISE LLC

### FRANCHISE AGREEMENT

This Franchise Agreement, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, is by and between Hand and Stone Franchise LLC, a New Jersey limited liability company, having its principal place of business at 1210 Northbrook Drive, Suite 150, Trevese, Pennsylvania 19053 (“Franchisor”), and \_\_\_\_\_, an individual whose principal address is \_\_\_\_\_ (“Franchisee”).

#### WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed, and are in the process of further developing, a System identified by the service marks “HAND AND STONE”, “HAND AND STONE MASSAGE SPA”, and “HAND AND STONE MASSAGE AND FACIAL SPA” and relating to the establishment and operation of a spa offering professional massage, facial and waxing services and the sale of related retail products to the general public referred to as “HAND AND STONE MASSAGE AND FACIAL SPA;” and

WHEREAS, in addition to the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and certain other Marks, the distinguishing characteristics of the System include, among other things, distinctive massage and facial protocols and techniques, uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies, techniques and Trade Secrets; and the Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a single HAND AND STONE MASSAGE AND FACIAL SPA franchise (a “HAND AND STONE franchise”) using the System and the Marks; and

WHEREAS, Franchisee desires to own and operate a HAND AND STONE franchise, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

#### **ARTICLE 1** **DEFINITIONS**

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“**Agreement**” means this agreement entitled “Hand and Stone Franchise LLC Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

**“Approved Location”** means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

**“Approved Supplier(s)”** has the meaning given to such term in Section 13.1;

**“Competitive Business”** means any business that offers (or grants franchises or licenses to others to operate a business that offers) professional massage, facial and waxing goods or services the same as or similar to those provided by HAND AND STONE franchises or in which Trade Secrets and other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

**“Confidential Information”** means technical and non-technical information used in or related to HAND AND STONE franchise that is not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

**“Customer”** means any person or entity (1) included on any marketing or customer lists Franchisee develops or uses, including any such lists provided by Franchisor to Franchisee; (2) who has purchased or purchases products or services from Franchisee during the term (even if Franchisee has solicited the person and/or established a relationship independent of Franchisor and without Franchisor’s assistance) or whom Franchisee has solicited to purchase any products or services; (3) that is a Member (as defined in Section 13.2); and (4) if any of the foregoing is an entity, all employees of such entity.

**“Customer Information”** means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any Customer, including any information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular individual or household.

**“Designated Manager”** means the person designated by Franchisee who has primary responsibility for managing the day-to-day affairs of the Franchised Business;

**“Effective Date”** means the date on which this Agreement is fully executed. In the event that Franchisee executes two (2) or more Franchise Agreements simultaneously, Franchisee’s obligation to open and operate the second Franchised Business shall commence on the date twelve (12) months after the Effective Date; and, if applicable, Franchisee’s obligations to open the third Franchised Business shall commence on the date twenty-four (24) months after the Effective Date;

**“Electronic Depository Transfer Account”** means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks;

**“Franchise Fee”** has the meaning given to such term in Section 3.1;

**“Franchised Business”** means the HAND AND STONE franchises to be established and operated by Franchisee pursuant to this Agreement;

**“Franchisee”** means the individual defined as “Franchisee” in the introductory paragraph of this Agreement;

**“Franchisor”** means Hand and Stone Franchise LLC;

**“Franchisor Indemnitees”** has the meaning given to such term in Section 20.3;

**“Grand Opening Advertising”** has the meaning given to such term in Section 11.1;

**“Gross Sales”** means the aggregate of all revenue from the sale of products, gift cards, barter or exchange, complimentary services and services from all sources in connection with the Franchised Business whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and the value of any allowance issued or granted to any client of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business;

**“Gross Sales Reports”** has the meaning given to such term in Section 12.2;

**“Incapacity”** means the absence of the principal of Franchisee for twenty (20) days or more. Returns to work for less than four (4) consecutive days shall not toll the running of the above-mentioned twenty (20) day period;

**“Internet”** means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

**“Lead Therapist”** means the person designated by Franchisee who has primary responsibility for training Franchisee’s massage therapists in Franchisor’s massage protocols and techniques and for maintaining Franchisor’s high-quality standards in the performance of massage services;

**“Local Advertising”** has the meaning given to such term in Section 3.4;

**“Manual”** means the HAND AND STONE Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

**“Marketing Fund”** has the meaning given to such term in Section 3.3;

**“Marketing Fund Contribution”** has the meaning given to such term in Section 3.3;

**“Marks”** means the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings and other commercial symbols as Franchisor may designate to be used

in connection with HAND AND STONE franchises, including: (i) HAND AND STONE®, U.S. Registration Number 3,101,296, Registration Date: June 6, 2006; (ii) HAND AND STONE MASSAGE SPA®, U.S. Registration Number: 3,137,338, Registration Date: August 29, 2008; (iii) HAND AND STONE MASSAGE AND FACIAL SPA, U.S. Registration Number 3,684,708, Registration Date: September 15, 2009; (iv) Hand and Stone Massage and Facial Spa®, U.S. Registration Number 4,880,654, Registration Date January 5, 2016; (v) HAND AND STONE MASSAGE SPA® (design plus words), U.S. Registration Numbers 5,354,270 Registration Date: November 12, 2017; and (vi) HAND AND STONE MASSAGE SPA® (design plus words), U.S. Registration Numbers 5,354,264 Registration Date: November 12, 2017.

“**Protected Territory**” means the geographic area of territorial protection granted to Franchisee under this Agreement as defined by Section 2.5;

“**Royalty Fee**” has the meaning given to such term in Section 3.2;

“**System**” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of HAND AND STONE franchises; and

“**Trade Secrets**” means information in any form that is used in or related to HAND AND STONE franchises and is not commonly known by or available to the public including, but not limited to, protocols and techniques, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

## **ARTICLE 2**

### **GRANT OF FRANCHISE; APPROVED LOCATION**

2.1 **Grant.** Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, the right to establish and operate one (1) HAND AND STONE franchise at the Approved Location using the System and Marks.

2.2 **Approved Location.** The street address (or detailed description of the premises) of the Approved Location shall be identified on Exhibit A hereto after Franchisor has approved of such location pursuant to Section 5.1.

2.3 **Approved Location Not Determined.** If the Approved Location of the Franchised Business is not determined as of the Effective Date, then the geographic area in which the Franchised Business is to be located shall be within the Protected Territory. When the Approved Location is determined, its address will be inserted into Section 2.2 and initialed by Franchisor and Franchisee. The failure to insert such address shall not automatically affect the enforceability of this Agreement.

2.4 **Sub-franchising/Agents.** Franchisee shall not sublicense the use of the System or Marks to any person or entity to perform any part of Franchisee’s rights or obligations granted hereunder, or grant any person or entity the right to act as Franchisee’s agent to perform any part of Franchisee’s rights or obligations hereunder and any attempt by Franchisee to do so shall be void and of no force and effect.

2.5 **Territorial Protection - Protected Territory.** Except as otherwise provided for herein, so long as this Agreement is in force and effect and Franchisee is not in default in any material respect under any of the terms hereof, Franchisor shall not establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within the geographic area described on Exhibit A hereto (“Protected Territory”).

Notwithstanding the first paragraph of this Section 2.5, Franchisor has the right to redefine or reduce the boundaries of the Protected Territory based on the following changes which may include but not be limited to; demographics, population, demand for services, travel times and economic conditions. Franchisor has the right to offer HAND AND STONE franchises to others in the new Protected Territory that does not encompass the Approved Location, provided, however, that Franchisee shall have a right of first refusal to establish a HAND AND STONE franchises in such new Protected Territory prior to Franchisor offering such Protected Territory to third parties. Franchisee must deliver notice of its intent to exercise its right of first refusal within thirty (30) days after receiving notice of Franchisor’s intent to divide the Protected Territory and Franchisee must execute a new franchise agreement and pay the corresponding franchise fee within sixty (60) days thereafter.

2.6 **Franchisor’s Rights.** Except to the extent provided in Section 2.5 above, Franchisor retains all of its rights with respect to and all control of the System and Marks, including the right to:

(a) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises outside of the Protected Territory;

(b) establish, own or operate, and license others to establish, own or operate, other businesses under other systems using other trademarks whether located or operating inside or outside of the Protected Territory;

(c) provide the services and sell any products authorized for HAND AND STONE franchises, whether now existing or developed in the future, using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies and Internet and catalog sales; provided, however, that no such services or products shall be sold to any Competitive Business within the Protected Territory. Franchisee acknowledges that this Agreement grants Franchisee no rights: (i) to distribute such products or services as described in this Section 2.6(c); or (ii) to share in any of the proceeds received by any such party therefrom;

(d) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises in captive locations, including those locations within or outside of the Protected Territory, including college campuses, airports, or train stations;

(e) engage in any activities not expressly forbidden by this Agreement; and

(f) communicate directly with any customer of Franchisee for the purpose of monitoring Franchisee’s performance hereunder and compliance with the terms of this Agreement.

### **ARTICLE 3** **FEES**

3.1 **Franchise Fee.** Upon execution of this Agreement, Franchisee shall pay a fee (“Franchise Fee”) to Franchisor of Forty-Nine Thousand Five Hundred Dollars (\$49,500) via certified check or wire transfer in immediately available federal funds. The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses

incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 **Weekly Royalty Fee.** On Tuesday of each week, Franchisee shall pay to Franchisor without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a weekly fee (“Royalty Fee”) equal to six percent (6%) of Gross Sales for the week ending the previous Saturday. During the Franchised Business’s first fifty-two (52) weeks of operation only, the Royalty Fee shall be equal to five percent (5%). For clarity, if Franchisee is executing this Agreement in connection with Franchisee’s acquisition of an operational Franchised Business, or a renewal of the franchise, the reduced weekly Royalty Fee of five percent (5%) shall not apply and Franchisee shall pay the six percent (6%) weekly Royalty Fee commencing immediately upon the Effective Date. Each weekly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.6, such reports shall instead be submitted by Franchisee electronically or compiled by Franchisor electronically through access to Franchisee’s computer and point of sale system.

3.3 **Marketing Fund Contributions.** Franchisee shall contribute to a System-wide marketing, advertising and promotion fund (“Marketing Fund”) each week an amount equal to one percent (1%) of weekly Gross Sales (“Marketing Fund Contribution”). Marketing Fund Contributions shall be made at the same time and in the same manner as Royalty Fees as provided in Section 3.2. The Marketing Fund shall be maintained and administered by Franchisor or its designee in accordance with the provisions contained in Section 11.3.

3.4 **Local Advertising Fees.** In addition to the Marketing Fund Contribution described above, Franchisee shall pay to Franchisor each week an amount equal to four percent (4%) of weekly Gross Sales (“Local Advertising Fee”), but not less than Four Hundred Dollars (\$400.00) weekly, which sum shall be used by Franchisor’s subsidiary, HSM Advertising, Inc. (“Advertising Agency”), to conduct local advertising on Franchisee’s behalf in accordance with Section 11.2.

3.5 **Taxes.** Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located or other federal, state or local taxes assessed against the income of the Franchisor.

3.6 **Electronic Transfer.** Franchisee shall pay all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to Franchisor through an Electronic Depository Transfer Account. Franchisee shall open and notify Franchisor of the account details of an Electronic Depository Transfer Account within one hundred eighty (180) days after the Effective Date (but in no event later than the opening of the Franchised Business). Franchisee shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor’s consent.

3.7 **Late Fees.** All Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall bear interest at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower) from the date payment is due to the date



payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions, Local Advertising Fees or any other amounts due Franchisor, including reasonable accounting and legal fees.

3.8 **Application of Payments.** Notwithstanding any designation by Franchisee, Franchisor has the right to apply any payments by Franchisee to any past due indebtedness of Franchisee and accrued interest thereon for Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, purchases from Franchisor or any other amount owed to Franchisor.

#### **ARTICLE 4** **TERM AND RENEWAL**

4.1 **Initial Term.** This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Article 16.

4.2 **Renewal Term.** Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to obtain a successor franchise is limited to One (1) term of ten (10) years, such that the total term of the Franchise shall not exceed twenty (20) years. To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

(a) Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions;

(b) Franchisee has access to and, for the duration of the successor franchise's term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards, for the duration of the renewal term;

(c) Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

(d) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

(e) Franchisee is not currently in default in any material respect of any provision of this Agreement or any other agreement between Franchisee and Franchisor and has not been in default in any material respect more than twice during the term;

(f) Franchisee has given written notice of its intent to operate a successor franchise not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement, such that Franchisor has no obligation to grant Franchisee a successor franchise without the timely receipt of such notice;

(g) Franchisee has executed Franchisor's then-current form of franchise agreement, or has executed renewal documents at Franchisor's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, Marketing Fund Contribution or Local

Advertising Fee; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee but shall be required to pay a renewal fee of twenty-five percent (25%) of the then-current initial franchise fee;

(h) Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

(i) Franchisee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit J, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners and employees, except to the extent prohibited by the laws of the state where the Franchised Business is located.

## **ARTICLE 5**

### **APPROVED LOCATION**

5.1 **Selection of Site.** If the Approved Location is not identified as of the Effective Date, then no later than one hundred eighty (180) days following the Effective Date (the "Site Selection Period"), Franchisee shall: (a) locate a site for the Franchised Business within the Designated Area identified on Exhibit A to this Agreement that meets Franchisor's site selection criteria, as set forth in more detail below, and (b) execute a Lease for the Approved Location in accordance with the requirements of Section 5.2 of this Agreement. Franchisee acknowledges and agrees that Franchisee is not afforded any territorial protection in the Designated Area and that the Designated Area is delineated for the sole purpose of identifying the area within which the Approved Location must be located. Once Franchisee identifies a proposed site, Franchisee must submit the proposed site, along with any and all materials Franchisor requests, to determine if the site meets Franchisor's site selection criteria. Franchisee must comply with the Lease requirements set forth in Section 5.2 below and agrees to refrain from signing any lease, sublease, or other document for the proposed site before Franchisor has accepted the proposed site as the Approved Location. If Franchisor approves of such selection, the site will be designated as the Approved Location for purposes of Section 2.2 and Exhibit A will be updated to reflect the Approved Location and the Protected Territory. Notwithstanding the foregoing, the failure to update Exhibit A shall not affect the enforceability of this Agreement. If Franchisor does not approve of Franchisee's proposed site selection, Franchisee shall continue to select a new site within the Designated Area until Franchisor approves of such selection. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics and population density of the surrounding area, proximity to other HAND AND STONE franchises, lease requirements, visibility, ease of access, available parking and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. Franchisor does not represent that it, any Affiliate or any of its owners or employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting a site for the Franchised Business.

5.2 **Lease of Approved Location.** After the approval of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties

under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

(a) a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise;

(b) a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

(c) a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

(d) a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

(e) a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

(f) a provision allowing Franchisor, upon expiration or termination of the lease, to enter the premises and remove any signs containing the Marks; and

(g) a provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the Approved Location and operate the Franchised Business

(h) a provision requiring that the lessor provide Franchisor notice in the event that Franchisee does not exercise an option to renew the lease term within a time required under the lease.

5.3 **Development of Approved Location.** Franchisor shall make available to Franchisee, at no charge to Franchisee, copies of standard plans and specifications for the development of a HAND AND STONE franchise, including exterior and interior design and layout, fixtures, equipment, décor and signs. Such plans and specifications are subject to alteration by Franchisor. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such plans and specifications within two hundred and seventy (270) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

(a) employ HS Design, LLC or such other architect that Franchisor approves in writing, to prepare, for Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the plans furnished by Franchisor. In the event Franchisee employs an approved architect besides HS Design, LLC, Franchisee shall pay Franchisor's costs and expenses to review of Franchisee's architectural plans, which shall not exceed \$500;

(b) obtain all zoning classifications and clearances that may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

(c) obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

(d) employ a qualified, licensed general contractor approved by Franchisor to complete construction of all required improvements to the Approved Location;

(e) purchase any supplies or inventory necessary for the operation of the Franchised Business;

(f) purchase and install all equipment, signs, artwork, furniture and fixtures, including any computer equipment and software, required for the operation of the Franchised Business;

(g) establish high-speed Internet access and obtain at least three (3) telephone numbers and one (1) facsimile number solely dedicated to the Franchised Business. Franchisee understands and acknowledges that all telephone numbers shall be owned by Franchisor, and that Franchisee shall be designated as the billing party on the applicable telephone service provider's records; and

(h) open an Electronic Depository Transfer Account and notify Franchisor of the pertinent account information.

5.4 **Opening**. Before opening the Franchised Business and commencing business, Franchisee shall:

(a) fulfill all of the obligations of Franchisee pursuant to the other provisions of this Article 5;

(b) furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

(c) complete initial training to the satisfaction of Franchisor, and ensure that the Designated Manager and Designated Trainer have completed initial training to the satisfaction of Franchisor;

(d) hire the personnel necessary or required for the operation of the Franchised Business;

(e) obtain all necessary permits and licenses; and

(f) pay in full all amounts due and owing to Franchisor.

Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within twelve (12) months after the Effective Date, or Franchisor may terminate Franchisee's Franchise Agreement. Time is of the essence. While reserving Franchisor's right to terminate, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, Franchisee's rights to establish the Franchised Business at the Approved Location, as well as Franchisee's rights and interests in the Protected Territory, as outlined on Exhibit A, shall automatically expire and be null and void without any further notice to Franchisee. Thereafter, Franchisor may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within the Protected Territory. If Franchisee: (a)

secures a lease for the Approved Location within one hundred twenty (120) days of the Effective Date; (b) completes construction of the Franchised Business in accordance with the terms and conditions of this Agreement; (c) opens the Franchised Business within twelve (12) months of the Effective Date; and (d) is otherwise in compliance with Franchisee's obligations under this Agreement, Franchisee will receive a one-time \$10,000 credit towards Franchisee's spa equipment purchased from Franchisor's designated supplier, which credit will be reflected in the invoice issued by Franchisor's designated equipment supplier to Franchisee for the equipment purchase.

5.5 **Use of Approved Location.** Franchisee shall not use the Approved Location for any purpose other than for the operation of a HAND AND STONE franchise in full compliance with this Agreement and the Manual, unless approved in writing by Franchisor.

5.6 **Relocation.** Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. If the lease for the Approved Location expires or terminates without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.4. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If no relocation site meets with Franchisor's approval, this Agreement shall terminate as provided in Article 16.

## **ARTICLE 6** **PROPRIETARY MARKS**

6.1 **Ownership.** Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 **Limitations on Use.** Franchisee shall not use any Mark or portion of any Mark as part of any business entity name or trade name, with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, without the prior written consent of Franchisor. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Franchise" of Franchisee. Franchisee shall not claim any rights in or to any Mark or modification or variation thereof. Franchisee acknowledges and agrees that it is strictly prohibited from promoting the Franchised Business and using the Marks in any manner on the Internet, including any social

or networking website, such as Facebook, LinkedIn, Instagram, Pinterest, Twitter, Groupon, and YouTube, except in a manner and form approved by Franchisor.

6.3 **Notification of Infringements and Claims.** Franchisee shall promptly notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks of which Franchisee has knowledge. Franchisee shall not communicate with any person other than Franchisor and, through Franchisee's counsel, Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take any action in connection with any such infringement, challenge or claim and has the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks but Franchisor shall not be required to take such action. Franchisee shall, at Franchisor's expense, execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 **Indemnification of Use of Marks.** Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied in all material respects with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee in the event Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 **Discontinuance of Use.** If it becomes necessary for Franchisee to modify or discontinue use of any of the Marks or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall, at its sole cost and expense, comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall not reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 **Right to Inspect.** To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) clients and employees and to photograph and videotape the premises.

6.7 **Franchisor's Sole Right to Domain Name.** Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the words "HAND AND STONE", "HAND AND STONE SPA", "HAND AND STONE MASSAGE SPA", "HAND AND STONE MASSAGE AND FACIAL SPA" or any variation thereof. Franchisee shall not advertise on the Internet using the "HAND AND STONE", "HAND AND STONE SPA", "HAND AND STONE MASSAGE SPA" or "HAND AND STONE MASSAGE AND FACIAL SPA" name and any other Mark. Franchisor is the sole owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual.

## **ARTICLE 7**

### **TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION**

7.1 **Requirement of Confidentiality.** Franchisee acknowledges that Franchisor will disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Manual, through the use of the System, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information and (e) shall not use Trade Secrets or Confidential Information to unfairly compete with any other Hand and Stone Massage and Facial Spa. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them. This Section shall survive the termination of this Agreement indefinitely.

7.2 **Additional Developments.** All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor's expense, take all actions reasonably necessary to assist Franchisor's efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 **Exclusive Relationship.** Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and

would be unable to encourage a free exchange of ideas and information among HAND AND STONE franchisees if owners of HAND AND STONE franchise and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any member of their immediate family and household, nor any executive or manager of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

(a) Divert or attempt to divert any business or client of the Franchised Business to any Competitive Business, 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 Marks or the System; or

(b) Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 **Nondisclosure and Non-Competition Agreements with Certain Individuals.** In addition to the restrictive covenants set forth in Section 7.3 above, Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 **Reasonableness of Restrictions.** Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, Trade Secrets and other Confidential Information, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Franchisee shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

7.6 **Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition.** Franchisee further acknowledges that an actual or threatened violation of the covenants contained in Article 7 of this Agreement will cause Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Franchisee of this Agreement, such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity.



**ARTICLE 8**  
**TRAINING AND ASSISTANCE**

8.1 **Initial Training.** Franchisor shall make an initial operations training program available to the Designated Manager and up to three (3) assistants for a new Franchised Business. Prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an operations training program consisting of approximately two (2) weeks of combined classroom and on-the-job instruction pertaining to operation of the Franchised Business including, but not limited to: sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues.

(a) Franchisor shall make an initial massage protocol-training program available to the Franchisee's Lead Therapist. Prior to the opening of the Franchised Business, the Lead Therapist must attend and successfully complete, to Franchisor's satisfaction, the two (2) day massage protocol-training program.

(b) Franchisor shall conduct training programs at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee or its employees in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisor reserves the right, in its sole discretion, to substitute virtual training for any in-person training provided under this Agreement. Franchisee and the Lead Therapist shall be responsible for training its management and other employees.

8.2 **Opening Assistance.** In conjunction with, and prior to, the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately five (5) days, one (1) of Franchisor's representatives who is experienced in the System for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 **Failure to Complete Initial Training Program.** If Franchisor determines that the Designated Manager or the Lead Therapist is unable to satisfactorily complete both components of the applicable training program described above, Franchisor has the right to terminate this Agreement. If the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute Designated Manager and such substitute manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be permitted to select a substitute Lead Therapist and such substitute trainer must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training for providing the substitute manager or trainer with an initial training program.

8.4 **New Designated Manager or Lead Therapist.** If Franchisee names a new Designated Manager or Lead Therapist, then the new Designated Manager or Lead Therapist must complete the initial training program to Franchisor's satisfaction within thirty (30) days. The new Designated Manager or Lead Therapist may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager or trainer changes by Franchisee are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's or Lead Therapist's attendance at such training.

8.5 **Ongoing Training.** From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager or Lead Therapist attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not require the Designated Manager or Lead Therapist to attend more than two (2) sessions in any calendar year and collectively not more than seven (7) days in any calendar year. Franchisee shall be responsible for all travel costs and living expenses incurred in connection with the Designated Manager's or Lead Therapist's attendance at such training. Franchisor may charge reasonable fees for these ongoing training programs or seminars; Franchisor's then-current per diem rate shall be as designated in the Manual.

## **ARTICLE 9** **MANUAL**

9.1 **Loan by Franchisor.** While this Agreement is in effect, Franchisor shall loan to Franchisee one (1) copy of the Manual or grant Franchisee access to an electronic copy of the Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. Franchisor owns the copyrights in the Manual; Franchisee shall not copy or duplicate the Manual in whole or in part. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be returned to Franchisor upon expiration or termination of this Agreement. If Franchisee's Manual is lost or destroyed, Franchisor shall supply a replacement Manual to Franchisee and Franchisee shall pay Franchisor's costs and expenses related to such replacement. The standards set forth in the Manual are designed to protect the System and the Marks associated therewith, and not to control the day-to-day operation of the Franchised Business. Franchisee at all times will remain responsible for the operation of the Franchised Business, and all activities occurring at the Franchised Business. Franchisee must hire, train, discipline and otherwise be solely responsible for the Franchised Business's employees. Franchisor is not responsible for and does not direct or control the conduct of any employee of Franchisee.

9.2 **Revisions.** Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 **Confidentiality.** The Manual contains Franchisor's Trade Secrets and other Confidential Information and shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. If in paper form or stored on computer-readable media, Franchisee shall maintain the Manual in a locked receptacle at the Approved Location, or if in electronic form, Franchisee shall maintain the Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the key or combination of such receptacle or the password to such file (or Internet site, if the Manual is maintained on-line by Franchisor in a password-protected site). Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

**ARTICLE 10**  
**FRANCHISE SYSTEM**

10.1 **Interchange.** Franchisee shall grant access and extend certain privileges of membership services to all members of a HAND AND STONE membership program, no matter where such membership was issued or purchased, so long as such membership is current and in good standing. Franchisee shall accept as payment for services or products any valid gift card, rewards points or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. Franchisee shall be compensated for providing membership services and fulfilling prepaid services as specified in the Manual or otherwise in writing by Franchisor.

10.2 **Uniformity.** Franchisee shall strictly comply, and shall cause the Franchised Business to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

10.3 **Modification of the System.** Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or additional computer hardware, software, software support, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make expenditures such as changes, additions or modifications in the System that may be reasonably required. Any required expenditure for changes or upgrades to the System shall be borne by Franchisee and shall be in addition to expenditures for repairs and maintenance as required in Section 13.3.

10.4 **Variance.** Franchisor has the right to vary standards, materials or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of any particular HAND AND STONE franchise. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

**ARTICLE 11**  
**ADVERTISING AND PROMOTIONAL ACTIVITIES**

11.1 **Grand Opening Advertising.** Franchisee shall pay to Franchisor TEN THOUSAND DOLLARS (\$10,000), as specified by Franchisor upon attending the initial training program for local advertisement and promotion of the initial opening of the Franchised Business ("Grand Opening Advertising"). Franchisor's Advertising Agency shall expend such amount on Franchisee's behalf. Grand Opening Advertising expenditures shall be in addition to any Local Advertising Fees and Marketing Fund Contributions. In addition, Franchisee is required to provide a minimum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500) in complimentary services during the Grand Opening event as outlined in the Operations Manual.

11.2 **Local Advertising.** Franchisee shall pay to Franchisor the Local Advertising Fee as specified in Section 3.4 above, which will be spent by Franchisor's Advertising Agency for advertising, promotions and public relations within the Designated Market Area ("DMA") as defined by Nielsen Media Research in which the Franchised Business is located ("Local Advertising"). Following the end of each calendar quarter, the Advertising Agency shall provide Franchisee, upon written request, with a report detailing the Local Advertising expenditures from the Local Advertising Fees paid by Franchisee for the immediately preceding calendar quarter. Franchisor and the Advertising Agency may, from time to time, in their sole discretion, contract for advertising for the Franchised Business in excess of the Local

Advertising Fees that have been charged under this Agreement as of a given date. Should this Agreement terminate for any reason whatsoever as of a date where there exists such an excess commitment of the advertising monies, Franchisee shall be liable to Franchisor for the full amount of the over expenditure. All decisions regarding the selection of the particular media and the advertising content, in any form of advertising or marketing whatsoever, whether paid for through the Local Advertising Fee or paid for by Franchisee directly, shall be within the sole discretion of Franchisor and the Advertising Agency and subject to Franchisor's approval.

Franchisee agrees to prominently display franchise brochures that Franchisor or the Advertising Agency provides, at Franchisor's cost, in Franchisee's location to solicit prospective franchisees.

11.3 **Marketing Fund.** Franchisor has established a Marketing Fund, to which Franchisee shall pay the Marketing Fund Contribution as defined in Section 3.3. The Marketing Fund is presently maintained and administered by Franchisor's Advertising Agency as follows:

(a) The Advertising Agency shall oversee all marketing programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. The Advertising Agency does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide.

(b) Franchisee's Marketing Fund Contributions may be used to meet the costs of, or reimburse the Advertising Agency for its costs of, researching, producing, maintaining, administering and directing consumer or recruiting advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations and social media and reputation management activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies or its own personnel to assist therein; and providing promotional brochures and other marketing materials to franchisees). Marketing Fund Contributions shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund. Marketing Fund Contributions will not be used for the direct solicitation of franchise sales, but Franchisor reserves the right to include a notation in any advertisement indicating "Franchises Available".

(c) Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during the fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

(d) Although the Marketing Fund is intended to be of perpetual duration, Franchisor and/or the Advertising Agency has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

(e) Each HAND AND STONE franchise operated by Franchisor, or an Affiliate of Franchisor, shall make Marketing Fund Contributions at the same rate as HAND AND STONE franchisees.

(f) An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund

audited, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

(g) Franchisee acknowledges that the Marketing Fund is not a trust and neither Franchisor nor the Advertising Agency assumes any fiduciary duty in administering the Marketing Fund.

11.4 **Internet Advertising.** Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator ("URL") www.handandstone.com that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the HAND AND STONE website an interior page containing information about the Franchised Business. If Franchisor includes such information on the HAND AND STONE website, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking to, or other use of, the HAND AND STONE website.

11.5 **Telephone Directory.** Franchisee may only advertise telephone numbers contained in Exhibit "E," attached hereto.

## ARTICLE 12

### **ACCOUNTING, RECORDS, TECHNOLOGY AND REPORTING OBLIGATIONS**

12.1 **Records.** During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for five (5) years thereafter, all books and records related to the Franchised Business including, without limitation, enrollment records, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 **Gross Sales Reports.** Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor a signed and verified statement of Gross Sales ("Gross Sales Report") or such electronic version as Franchisor may designate, for the week ending each Saturday in a form that Franchisor approves or provides in the Manual. The Gross Sales Report for the preceding week must be provided to Franchisor by the close of business on Tuesday of each week as provided in Section 3.2.

12.3 **Financial Statements.** Franchisee shall supply to Franchisor on or before the fifteenth (15<sup>th</sup>) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within one hundred twenty (120) days after the end of each fiscal year, an income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Franchisor, such financial statements

shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 **Other Reports.** Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Manual. Franchisor shall have the right to release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 **Computer Systems and Connectivity.** Franchisee shall purchase, install and use computers, mobile devices, internet accessibility equipment, network componentry, a franchise relationship management system and a point-of-sale system consisting of hardware and software in accordance with Franchisor's specifications and shall upgrade such systems in accordance with Franchisor's requirements in order to use the System (hereinafter "Hand and Stone Technology"). This includes taking all steps, including but not limited to those related to visibility and management of the Franchised Business's network, that are necessary to ensure that the Franchised Business is compliant with all Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)). Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access without notification, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. There are no limits to our access to your computer system and we may use such customer data or information for any business purpose.

Franchisee shall pay an initial fee of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) for connection to the Hand and Stone Technology (hereinafter "Connectivity Fee"). The Connectivity Fee shall be paid at the time of the Initial Franchise Fee and is not refundable. Franchisor shall establish accounts and connectivity for Franchisee to the [handandstone.com](http://handandstone.com) website, on-site connectivity of computer equipment to the System, connectivity to Hand and Stone online training programs, and connectivity to Hand and Stone consumer feedback platforms.

Franchisee must pay an ongoing monthly POS subscription and support services fee for the software to Franchisor, currently \$627 per month and \$25 per month for cyber insurance, which is subject to change. Franchisor will provide the software support and maintenance in conjunction with the software vendor. Franchisee must execute the sublicense agreement attached as Exhibit "J". If Franchisor's collects this fee directly, the fee must be paid as described in Section 3.6 of this Agreement, or as Franchisor otherwise sets forth in writing. Franchisor reserves the right to change the manner, scope, or manner of payment of the fee described in this Section, at any time upon providing reasonable notice to Franchisee, as changes are made to the System's hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency.

12.6 **Right to Inspect.** Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower). If the audit or any other inspection should reveal an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition to any other payments required above, reimburse Franchisor for any and all costs and expenses connected with the

inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 **Release of Records.** At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

12.8 **Accounting Firm.** To ensure that Franchisee has accurate financial records and reporting, during the first year of the term of this Agreement, or until Franchisee demonstrates a proficiency in preparing and submitting to Franchisor correct financial statements of the Franchised Business' operations, Franchisor requires Franchisee to use the services of one of its designated and preferred accounting firms (the "**Accounting Firm**"). The Accounting Firm will gather weekly transactional information from the Franchised Business and enter such information into its accounting software, reconcile monthly cash and credit card activity, produce monthly financial statements for the Franchised Business, perform bank reconciliations, calculate sales taxes and prepare K-1s. Franchisee is required to pay the Accounting Firm's then current monthly fee (the "Accounting Fees") and the Accounting Fees are subject to future increases. Franchisor may require Franchisee to use the Accounting Firm and pay the Accounting Fees at any time during the term of this Agreement in the event that Franchisee fails to provide Franchisor with accurate financial statements.

### **ARTICLE 13** **STANDARDS OF OPERATIONS**

13.1 **Authorized Products, Services and Suppliers.** Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its clients. Accordingly, Franchisee shall provide or offer for use at the Franchised Business only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and that are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from "Approved Suppliers" that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Any purchases by Franchisee from Franchisor or its Affiliates will be at Franchisor's or the Affiliate's then-current price in effect. Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved.

(a) Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time-to-time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or any Affiliate. If Franchisee desires to use any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve

an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

(b) Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

(c) Franchisor has the right to designate certain programs, products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

(d) Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 **Membership Programs; Customer Data.** Franchisee shall institute membership programs as specified in the Manual. All Customer Information of Customers who participate in such membership programs (“**Members**”) is confidential information and the property of Franchisor, and shall be used by Franchisee in strict adherence to Franchisor's policies and procedures as stated in the Manual.

Franchisor may use the Customer Information as Franchisor deems appropriate (subject to applicable law), including sharing it with its Affiliates for cross-marketing or other purposes. Franchisee may only use Customer Information for the purpose of operating the Franchised Business to the extent permitted under this Agreement, including the Manual, during the term hereof and subject to such restrictions as Franchisor may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, Franchisee agrees to comply with applicable law in connection with its collection, storage and its use and Franchisor's use of such Customer Information, including, if required under applicable law, obtaining consents from Customers to Franchisor's and its Affiliates' use of the Customer Information. Franchisee must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements (“**Privacy Laws**”), as well as data privacy and security policies, procedures and other requirements Franchisor may periodically establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Business. Franchisee must fully cooperate with Franchisor and its counsel in determining the most effective way to meet Franchisor's standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee is responsible for any financial losses it incurs or remedial actions that it must take as a result of breach of security or unauthorized access to Customer Information in Franchisee's control or possession.

If any federal or state Privacy Law, including the California Consumer Privacy Act (“CCPA”), or as revised and when in effect, the California Consumer Privacy Rights Act (“CPRA”) Cal. Civ. Code §



1798.100, et seq., applies to the operation of the Franchised Business, whenever and to the extent Franchisee operates as a “Service Provider” under the CCPA, a “Contractor” under the CPRA, a data processor, or in a similar capacity under any federal or state Privacy Law, Franchisee represents and warrants that:

(1) Except for the purpose of operating the Franchised Business in accordance with this Agreement, including the Manual, Franchisee will not retain, use, combine or disclose any Customer Information;

(2) Franchisee will not sell, make available or otherwise disclose any Customer Information to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising;

(3) Franchisee will not retain, use, or disclose Customer Information outside of the direct business relationship between Franchisee and Franchisor;

(4) Franchisee will delete any Customer Information upon Franchisor’s request unless Franchisee can prove that such request is subject to an exception under applicable law; and

(5) If Franchisee receives a Customer Information data request (e.g., a request to delete Customer Information) directly from a consumer (e.g., a California resident under the CCPA or CPRA, or a resident of another jurisdiction under other applicable Privacy Law), Franchisee shall inform Franchisor of that request within one business day and cooperate with Franchisor to ensure that the consumer receives an appropriate and timely acknowledgement and response. As an example, currently under the CCPA, an acknowledgement is typically required within 10 business days and a final response is required within 45 calendar days.

Franchisee certifies that it understands the restrictions in Paragraphs (1) – (5) of this section and will comply with them. Franchisee also acknowledges and agrees that Franchisor may modify these restrictions from time to time by written notice to Franchisee, by issuing updates to Franchisor’s standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and Franchisee agrees to comply with the same. Franchisee also agrees to execute any addenda that Franchisor may determine are required to conform this Agreement to new or changed Privacy Laws.

To the extent that Franchisee engages a third party to collect, use, sell, store, disclose, analyze, delete, modify, or to otherwise perform any processing of Customer Information for the purpose of operating the Franchised Business (a “**Subprocessor**”), Franchisee will notify Franchisor of such engagement, which shall be governed by a written contract that includes the same restrictions as in Paragraphs (1) – (5) of this section and imposes reasonable confidentiality obligations on the Subprocessor.

13.3 **Appearance and Condition of the Franchised Business.** Franchisee shall maintain the Franchised Business and the Approved Location in “like new” condition, subject to reasonable wear and tear, and shall repair or replace furnishings, equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee’s lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.3.

13.4 **Ownership and Management.** The Franchised Business shall, at all times, be under the direct supervision of Franchisee or the Designated Manager. The Designated Manager shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.5 **Days of Operation.** Franchisee shall keep the Franchised Business open for business during normal business hours for HAND AND STONE franchises as specified in the Manual, subject to applicable law or the terms of the lease for the Approved Location.

13.6 **Licenses and Permits.** Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisee shall ensure that each of its employees has any certifications or licenses required by applicable law. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7 **Notification of Proceedings.** Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, award or decree that may affect the operation or financial condition of the Franchised Business not more than five (5) days after such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation. In addition, any and all consumer related complaints shall be answered by Franchisee within fifteen (15) days after receipt thereof or such shorter period of time as may be provided in the complaint. A copy of said answer shall be forwarded to Franchisor within three (3) days of the date that said answer is forwarded to the complainant. Furthermore, in the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant of attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

13.8 **Compliance with Good Business Practices.** Franchisee acknowledges that the quality of service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to clients of the Franchised Business. The Franchised Business shall in all dealings with its clients, employees, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a complaint, Franchisor has the right to intervene. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in handling complaints for the Franchised Business pursuant to this Section.

13.9 **Uniforms.** Franchisee shall abide by any uniform requirements stated in the Manual. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 **Credit Cards.** Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software specified by the franchisor and shall have arrangements in place with Visa, MasterCard, Amex and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its clients.

13.11 **Best Efforts.** Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.12 **Gift Cards.** Franchisee shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Operating Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee or another HAND AND STONE franchise. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Operating Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other HAND AND STONE franchise and for making timely payment to Franchisor, other operators of HAND AND STONE franchise, or a third-party service provider for Gift Cards issued from the Spa that are honored by Franchisor or other HAND AND STONE franchise operators.

13.13 **Telephone Numbers.** Franchisee acknowledges that all telephone numbers and directory listings for the Franchised Business are the property of Franchisor, and that Franchisor has the sole and exclusive right and authority to transfer, terminate and amend such telephone numbers and directory listings as Franchisor, in its sole discretion, deems appropriate. In the event Franchisor takes any action pursuant to this Section 13.13, the telephone company and all listing agencies, without liability to Franchisee, may accept this Agreement and the directions by or on behalf of Franchisor as conclusive of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their amendment, termination or transfer. In addition, Franchisee shall, contemporaneously with the execution of this Agreement, sign Franchisor's then-current form of Acknowledgment of Telephone Number Ownership, attached to this Agreement as Exhibit E.

13.14 **Staffing.** Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

## **ARTICLE 14**

### **FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE**

14.1 **General Advice and Guidance.** Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, facsimile, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to discontinue this service should Franchisee be deemed to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating HAND AND STONE franchises and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

14.2 **Periodic Visits.** Franchisor or its representative shall make periodic visits to the Franchised Business for the purposes of consultation, assistance, compliance and guidance with respect to various aspects of the operation and management of the Franchised Business. Franchisee shall cooperate in allowing periodic visits (including unannounced visits during regular business hours) and shall allow access to the Franchised Business for periodic visits. Franchisor or its representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

14.3 **System Improvements.** Franchisor shall communicate improvements in the System to Franchisee as such improvements may be developed or acquired by Franchisor and implemented as part of the System.

14.4 **Marketing and Promotional Materials.** Franchisor may periodically provide formats for advertising and promotional materials including ad-slicks, brochures, fliers and other materials to the Franchisee for the Franchisee to produce and use in the operation of the Franchised Business. Franchisee must honor the terms of all promotional or discount programs that Franchisor may offer to the public for System businesses, and Franchisee must comply with any pricing policies Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee must also provide those services and other items Franchisor specifies on such terms and at such rates, including free-of-charge, as Franchisor may specify.

## **ARTICLE 15** **INSURANCE**

15.1 **Types and Amounts of Coverage.** At its sole expense, Franchisee shall procure within sixty (60) days of the Effective Date and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. No such insurance shall have a deductible or self-insured retention in excess of Five Thousand Dollars (\$5,000.00). In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

(a) "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

(b) workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

(c) comprehensive General Liability Insurance, Professional Liability Insurance, and Employment Practices Liability Insurance (EPLI) against claims for bodily and personal injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or THREE MILLION DOLLARS (\$3,000,000.00) in the aggregate for

Professional Liability and General Liability and a minimum liability coverage of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) per occurrence and in the aggregate for EPLI or, if higher, the statutory minimum limit required by state law and coverage for sexual abuse with a minimum sublimit of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) per occurrence or FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) in the aggregate;

(d) automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law;

(e) cyber insurance against claims for privacy and cyber security breaches against the Franchised Business with a minimum coverage of TWO MILLION DOLLARS (\$2,000,000.00); and

(f) such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3.

15.2 **Future Increases.** Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 **Carrier Standards and Group Policies.** Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. As may be required in the Manual, Franchisor has the right to require Franchisee’s participation in any group insurance established or approved by Franchisor for Franchisees that meets any of the requirements in Section 15.1.

15.4 **Evidence of Coverage.** Franchisee’s obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee’s performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 20.3. Franchisee shall provide, annually, or more frequently if requested by Franchisor, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days’ prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 **Failure to Maintain Coverage.** Should Franchisee not procure and maintain insurance coverage as required by this Agreement, or if not produced by Franchisee upon request by Franchisor, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **ARTICLE 16**

### **DEFAULT AND TERMINATION**

16.1 **Termination by Franchisor.** Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

- (a) fails to establish and equip the Franchised Business pursuant to Article 5;
- (b) fails to satisfactorily complete any training program pursuant to Article 8;

(c) made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement or fails to deal honestly and fairly with the Franchisor and the public in the operation of the Franchised Business;

(d) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

(e) discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual, the Trade Secrets or any other Confidential Information;

(f) abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor or otherwise permitted under Section 5.6, fails to relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable in the time period set forth in Section 5.6;

(g) surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

(h) fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or incapacity of Franchisee pursuant to Section 18.6;

(i) submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

(j) is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for sixty (60) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within sixty (60) days or is not in the process of being dismissed;

(k) misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair the goodwill associated with any of the Marks;

(l) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, Local Advertising Fees, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

(m) after receiving a notice of violation, continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to

clients, employees or the public after having received notice of such health or safety hazards from Franchisor or any governmental authority;

(n) fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance or fails to comply with all applicable laws and ordinances relating to the Franchised Business, including Anti-Terrorism Laws, or if Franchisee's or any of his/her owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of his/her owners otherwise violate any such law, ordinance, or regulation;

(o) repeatedly breaches this Agreement or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured;

(p) defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates; or

(q) engages in any activity exclusively reserved to Franchisor.

16.2 **Termination by Franchisor Following Cure Period.** Except as otherwise provided in this Article 16, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor; or

16.2.2 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing.

16.3 **Reinstatement and Extension.** If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 **Right of Franchisor to Discontinue Services to Franchisee.** If Franchisor delivers to Franchisee a notice of termination pursuant to this Article 16 in addition to Franchisor's other remedies, Franchisor and any Affiliate reserve the right to discontinue any services provided for herein or the sales of any products to Franchisee until such time as Franchisee corrects the default. Notwithstanding the foregoing, Franchisor or the Advertising Agency may, in its sole discretion, suspend the placement of advertising for Franchisee, including inclusion in any Franchisor website and/or suspend or redirect Franchisee's telephone service for any telephone numbers advertised or disseminated to the public in connection with the Marks or for any other telephone numbers used in the Franchised Business if any payments due Franchisor under this Agreement or any other agreement in effect between the parties are not paid on the date upon which the payments are due. The suspension may continue until Franchisee has paid current all monies owed Franchisor. Franchisee is not relieved of any obligation to pay Local Advertising

Fees during the term of any suspension. In the event advertising is suspended, Franchisor or the Advertising Agency, in its sole discretion, may apply Local Advertising Fees paid during the period of suspension toward any late fees, claims, invoices or other monies owed Franchisor from Franchisee.

**ARTICLE 17**  
**RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION**

17.1 **Actions to be Taken.** Except as otherwise provided herein, upon termination or expiration of the Franchise, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

(a) immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(b) cease to use the Trade Secrets and other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items that display or are associated with the Marks;

(c) upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

(d) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "HAND AND STONE" or any other Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(e) pay all sums owing to Franchisor and any Affiliate, which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, amounts owed for the purchase of products, and any other amounts due to Franchisor or any Affiliates;

(f) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(g) immediately return to Franchisor the Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

(h) if required by the applicable telephone service provider, assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and



(i) comply with all other applicable provisions of this Agreement applicable following termination or expiration.

17.2 **Post-Termination Covenant Not to Compete.** Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

- (a) to protect the Trade Secrets and other Confidential Information of Franchisor;
- (b) to induce Franchisor to grant a Franchise to Franchisee; and
- (c) to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, and Designated Managers.

17.2.1 Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Franchisee shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, or Designated Manager, shall, for a period of two (2) years after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

- (a) own an interest in, manage, operate or provide services to any Competitive Business located or operating (a) within a twenty (20) mile radius of the Approved Location (or within the Protected Territory, if greater), or (b) within a twenty (20) mile radius of the location of any other HAND AND STONE franchise in existence at the time of termination or expiration.

In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or non-competition agreements the same as or similar to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit B.

17.3 **Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition.** Franchisee acknowledges that an actual or threatened violation of the covenants contained in Article 7 of this Agreement will cause Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Franchisee of this Agreement, and such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity.

17.4 **Unfair Competition.** If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description

or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Section 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.5 **Franchisor's Option to Purchase Certain Business Assets.** Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' book value, excluding any goodwill. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.6 **Survival of Certain Provisions.** All obligations of Franchisor and Franchisee that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17.7 **Liquidated Damages.** Upon termination of this Agreement according to its terms and conditions, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees Franchisee assessed during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) thirty-six (36) (being the number of months in three (3) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties agree that this liquidated damage provision is a reasonable, good faith pre-estimate of such damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's Marks, Confidential Information, reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

**ARTICLE 18**  
**TRANSFERABILITY OF INTEREST**

18.1 **Transfer by Franchisor.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

18.2 **Transfer by Franchisee to a Third Party.** The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, Franchisee may not sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- (a) Franchisee has complied with the requirements set forth in Article 19;
- (b) all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;
- (c) Franchisee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit J, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners and employees, in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;
- (d) the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business and prospective transferee/assignee has satisfied Franchisor's training requirements;
- (e) the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have, at Franchisor's option, executed either the then-current Franchise Agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee, Marketing Fund Contribution and Local Advertising Fee rates and other material provisions, of this Agreement; provided, however, the transferee shall not be required to pay an initial franchise fee. If a new franchise agreement is executed, Franchisor has the right to limit its term to the remaining term of this Agreement;
- (f) the transferee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit L, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

(g) Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

(h) Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of fifty percent (50%) of the initial franchise fee payable by all new franchisees at the time of the transfer;

(i) the transferee shall execute Franchisor's then-current Franchise Agreement for the unexpired term of this Agreement, the terms of which may have different material terms from this Agreement;

(j) the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

(k) Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor will not be liable for any representations not included in the disclosure document;

(l) Franchisee has executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit B;

(m) the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business;

(n) the transferee, if not already operating a Hand and Stone Massage and Facial Spa, has paid Franchisor its then-current onsite transfer training fee (plus travel expenses);

(o) Notwithstanding the foregoing, Franchisee is not permitted to engage in a transfer to a third party during the first year of the initial term of this Agreement.

**18.3 Transfer to a Controlled Entity.** If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity that is entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity was formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements subject to applicable state law:

(a) the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

(b) Franchisee owns all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(c) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee as required pursuant to Section 18.2;

(d) the Controlled Entity has entered into a Transfer Agreement with Franchisor, attached hereto as Exhibit C, expressly assuming the obligations of this Agreement and all other agreements relating

to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(e) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

(f) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

(g) copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 **Franchisor's Disclosure to Transferee.** Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 **For-Sale Advertising.** Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 **Transfer by Death or Incapacity.** Upon the death or incapacity (as determined by a court of competent jurisdiction) of any individual Franchisee, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

**ARTICLE 19**  
**RIGHT OF FIRST REFUSAL**

19.1 **Submission of Offer.** If Franchisee, or any of its owners, proposes to sell the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 **Franchisor's Right to Purchase.** Franchisor shall, for sixty (60) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash or cash equivalents for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to one hundred twenty (120) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

19.3 **Non-Exercise of Right of First Refusal.** If Franchisor does not exercise this right of first refusal within sixty (60) days, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2 and the other terms and conditions of Section 18. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

**ARTICLE 20**  
**RELATIONSHIP AND INDEMNIFICATION**

20.1 **Relationship.** This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an independent owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt or any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa. Any third-party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

20.2 **Standard of Care.** This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

20.3 **Indemnification.** Franchisee shall hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) (collectively, "Losses") incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with Franchisee's ownership or operation of the Franchised Business, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information; (g) infringement, violation or alleged infringement or violation of any patent, trademark or copyright or other rights controlled by third parties; (h) latent or other defects in the Franchised Business whether or not discoverable by Franchisor or Franchisee; or (i) any services or products provided by any affiliated or non-affiliated participating entity.

It is the intention of the parties to this Agreement that Franchisor shall not be deemed a joint employer with Franchisee for any reason; however, Franchisee will, at its sole expense, defend, fully protect, indemnify and hold harmless, Franchisor Indemnitees, from any and all Losses arising in any manner, directly or indirectly, out of or in connection with or incidental to the actions or omissions of Franchisee's employees or independent contractors or allegations that Franchisor is the joint employer of Franchisee's employees.

20.4 **Right to Retain Counsel.** Franchisor shall give Franchisee immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. Franchisee shall cooperate with Franchisor in its handling of any such action, suit, demand, claim, investigation or proceeding. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

20.5 **Indemnification for Use of Marks.** Franchisor agrees to indemnify and hold Franchisee harmless for all damages and expenses it may incur in any trademark infringement proceeding disputing Franchisee's authorized use of any Mark under this Agreement; provided Franchisee has timely notified Franchisor of the proceeding, has used the Mark in full compliance with Franchisor's standards and

specification, and complies with Franchisor's directions in responding to the proceeding. At Franchisor's option, Franchisor may defend and control the defense of any proceeding relating to any Mark; provided Franchisor may not settle any such dispute without Franchisee's prior written consent unless, in connection with such settlement, Franchisee shall not be obligated to pay any amounts in settlement and Franchisee receives a general release of all claims.

## **ARTICLE 21**

### **GENERAL CONDITIONS AND PROVISIONS**

21.1 **No Waiver.** No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 **Injunctive Relief.** As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, 9 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction), without posting a bond, against any such breach, whether actual or contemplated.

21.3 **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 21.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

Hand and Stone Franchise LLC  
Attn: President  
1210 Northbrook Drive  
Suite 150  
Trevose, PA 19053

With a copy to: Fisher Zucker LLC  
Attn: Lane Fisher  
21 S. 21<sup>st</sup> Street  
Philadelphia, PA 19103

21.4 **Approvals.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval,



advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.5 **Entire Agreement.** This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's HAND AND STONE Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, that are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

21.6 **Severability and Modification.** Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets and other Confidential Information or on competition to the maximum extent provided or permitted by law.

21.7 **Construction.** All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.8 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to perform any act, except for Franchisee's payment of monies to Franchisor, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, global health pandemics, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

21.9 **Timing.** Time is of the essence; except as set forth in Section 21.8, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

21.10 **Withholding Payments.** Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems

appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

21.11 **Further Assurances.** Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

21.12 **Third-Party Beneficiaries.** Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

21.13 **Multiple Originals.** Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

21.14 **Compliance with Anti-Terrorism Laws.** Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

## **ARTICLE 22** **DISPUTE RESOLUTION**

22.1 **Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania (without reference to its conflict of laws principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

22.2 **Cumulative Rights and Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

22.3 **Limitations of Claims.** Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

22.4 **Limitation of Damages.** Except as set forth in Section 17.7 of this Agreement, each party hereto waives, to the fullest extent permitted by law, any right or claim for any punitive or exemplary

damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

22.5 **Waiver of Jury Trial.** FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

22.6 **Non-Binding Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, must be submitted first to mediation, in Philadelphia, Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any arbitration action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. Franchisee may not commence an arbitration action against Franchisor or its affiliates with respect to any such claim or dispute unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce its rights to mediation, as set forth under this Agreement. Each party shall bear its own cost of mediation. The mediator's fee shall be shared equally by the parties. Submission of a dispute to Non-Binding Mediation shall not toll or extend any statute of limitations or the Limitation of Claims period specified above.

22.7 **Binding Arbitration.** Except for claims of a breach of this Agreement by Franchisee of any of the Sections identified in Section 21.2 of this Agreement to which Franchisor shall have the right to injunctive relief from any court of competent jurisdiction in addition to all other available relief at law and in equity, if the parties have not resolved their dispute via non-binding mediation pursuant to Section 22.6 hereof, the dispute shall be submitted to arbitration which shall be binding on the parties hereto. The following shall supplement and, in the event of a conflict, shall govern any arbitration: If the claim is for less than \$50,000 then the matter shall be heard before a single arbitrator selected from the AAA list of arbitrators. If the claim, or a counterclaim, is for \$50,000 or more, the matter shall be heard before a panel of three (3) arbitrators and each party shall appoint its own arbitrator, and the appointed arbitrators shall appoint a "neutral" arbitrator who shall be a member of the American Bar Association's Forum on Franchising in good standing for at least five (5) years. Each party must bear its own costs of arbitration including the fee for their respective arbitrator, provided, however, that the neutral or the single arbitrator's fee shall be shared equally by the parties. The Arbitrator shall apply the substantive law of Pennsylvania. Unless the parties to the arbitration agree otherwise, the arbitration proceeding shall take place in Philadelphia, Pennsylvania. The arbitrators will be bound to the Federal Rules of Evidence and Discovery and shall be governed by the Federal Rules of Civil Procedure. The arbitrators shall have no authority to determine class action claims or other consolidated claims and shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judicial review of the Arbitrator's award may be sought only upon the grounds of fraud, corruption, misconduct or erroneous conclusions of law. Judgment

upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the Eastern District of Pennsylvania and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement. Service of the Petition to Confirm Arbitration and the written notice of the time and place of hearing on the Petition to Confirm the Award of the Arbitrator shall be made in the same manner provided in Section 21.3 with respect to all notices. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

22.8 **Attorneys' Fees.** Franchisee must pay all reasonable attorneys' fees, court costs and expenses Franchisor incurs whether or not formal arbitration or judicial proceedings are initiated by Franchisor against Franchisee for a breach of any monetary or non-monetary material obligation under this Agreement. If Franchisee institutes any arbitration or legal action against Franchisor to interpret or enforce the terms of this Agreement, and Franchisee's claims in such an action are denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

## **ARTICLE 23** **ACKNOWLEDGMENTS**

23.1 **Receipt of the Disclosure Document/Disclaimer.** FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED, READ AND UNDERSTANDS THIS AGREEMENT AND FRANCHISOR'S DISCLOSURE DOCUMENT; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF ITS OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT. FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES. Franchisee acknowledges that neither Franchisor nor anyone on its behalf has made any claim, representation, warranty, promise or guarantee, whether in this Agreement or otherwise, orally or in writing, with respect to the actual or potential sales, costs, income or profits of any franchise.

23.2 **Representations of Franchisee.** Franchisee represents and warrants to Franchisor the following, with the knowledge that Franchisor is materially relying upon the truth, accuracy and completeness of such representations and warranties in entering into this Agreement:

(a) All information contained in Franchisee's application or in any document submitted in connection therewith by or on behalf of Franchisee is true, accurate and complete in all material respects including, without limitation, all information pertaining to the credit history, employment history, prior business experience, reputation and financial condition of Franchisee, its owners and operators.

(b) The execution, delivery and performance by Franchisee of this Agreement and the transactions contemplated hereby do not and will not conflict with or result in, with or without the giving of notice or lapse of time or both, any violation of or constitute a breach or default, or give rise to any right of acceleration, payment, amendment, cancellation or termination under (a) any mortgage, indenture, lease, contract or other agreement to which Franchisee is a party or by which Franchisee or any of its properties or assets is bound or subject, or (b) any law or order to which Franchisee is bound or subject.

(c) There are no judgments outstanding against Franchisee or any principal of Franchisee or any operator of the Franchised Business, and there are no lawsuits, arbitrations or claims pending or, to Franchisee's knowledge, threatened against any of the foregoing.

23.3 **Consultation by Franchisee.** Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

23.4 **True and Accurate Information.** Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all material respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

23.5 **Risk.** Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a HAND AND STONE franchise involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

23.6 **No Guarantee of Success.** Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Disclosure Document or this Agreement.

23.7 **No Violation of Other Agreements.** Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

23.8 **Release of Prior Claims.** By signing this Agreement, Franchisee individually, and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement between the parties executed prior to the date of this Agreement including but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any State thereof.

23.9 **Franchisor's Affiliates.** Franchisee agrees that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, parent, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Franchisor will have any liability for: (1) any obligations or liabilities of Franchisor relating to or arising from this Agreement; (2) any claim against Franchisor based on, in respect of, or by reason of the relationship between Franchisee and Franchisor; or (3) any claim against Franchisor based on any alleged unlawful act or omission of Franchisor.

**ARTICLE 24**  
**OPERATION IN THE EVENT OF ABSENCE OR DISABILITY; STEP-IN RIGHTS**

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

24.2 **Step-In Rights – Cause for Step-In.** If Franchisor determines in its sole judgment that the operation of Franchisee's Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her Franchised Business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the Franchised Business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's Franchised Business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's Franchised Business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

24.3 **Step-In Rights – Duties of Parties.** Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for Franchisor's representatives. In the event of the exercise of the Step-In Rights by Franchisor, Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

*SIGNATURES APPEAR ON FOLLOWING PAGE*

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

HAND AND STONE FRANCHISE LLC:

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

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

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

FRANCHISEE:

Signed: \_\_\_\_\_

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

**EXHIBIT A TO THE FRANCHISE AGREEMENT**  
**APPROVED LOCATION AND PROTECTED TERRITORY**

DATED \_\_\_\_\_, 20\_\_\_\_\_  
WITH

\_\_\_\_\_  
(Name of Franchise Owner)

**A. If the Approved Location of the HAND AND STONE franchise has not been determined as of the Effective Date:**

1. If the Approved Location has not been determined as of the Effective Date of this Agreement, Franchisee must secure the Approved Location in accordance with the terms and conditions of the Franchise Agreement within the general area described as follows (the "Designated Area"):\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Note: Once Franchisee secures an Approved Location within the Designated Area in accordance with the requirements set forth in the Franchise Agreement, Franchisor will issue an updated copy of this Exhibit A to reflect the Approved Location and the Protected Territory.*

**B. If the Approved Location of the HAND AND STONE franchise has been determined as of the Effective Date:**

The Approved Location of the HAND AND STONE franchise is: \_\_\_\_\_  
\_\_\_\_\_.

The Protected Territory of the HAND AND STONE franchise is: \_\_\_\_\_  
\_\_\_\_\_.

The Approved Location will be listed on the Hand & Stone website, and marketing/advertising material as:

**US:**

**YOU:**

**HAND AND STONE FRANCHISE LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Signed: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT B TO THE FRANCHISE AGREEMENT**  
**NONDISCLOSURE AND NON-COMPETITION AGREEMENT**

This “Agreement” made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, (“Franchisee”) (d/b/a a HAND AND STONE Franchise) and \_\_\_\_\_ (“Individual”).

**W I T N E S S E T H:**

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (“Franchise Agreement”) by and between Franchisee and Hand and Stone Franchise LLC (“Company”); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in the same or a similar business, (“Competitive Business”) now or in the future.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

**1. Trade Secrets and Confidential Information**

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business. For the purposes of this Agreement, a “Trade Secret” is information in any form (including, but not limited to, massage therapy protocols, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers) related to or used in HAND AND STONE franchises that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. For the purposes of this Agreement “Confidential Information” means technical and non-technical information related to or used in HAND AND STONE franchises that is not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. Any information expressly designated by Company as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee’s providing of access to the Trade Secrets

and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

## **2. Confidentiality/Non-Disclosure**

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future client or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in the HAND AND STONE System.

## **3. Non-Competition**

a) During the term of employment and for a period of two (2) years after employment, Individual shall not, directly or indirectly, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within: (1) twenty (20) miles of the premises of Franchisee's HAND AND STONE franchise located at: \_\_\_\_\_; or (2) twenty (20) miles of any HAND AND STONE MASSAGE SPA without the express written consent of Franchisee.

b) "Competitive Business" means any business that offers (or grants franchises or licenses to others to operate a business that offers) massage services the same as or similar to those provided by HAND AND STONE franchises or in which Confidential Information could be used to the disadvantage of Company or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated under a Franchise Agreement with Company, or (b) any business operated by a publicly held entity in which Individual owns less than a five percent (5%) legal or beneficial interest.

## **4. Reasonableness of Restrictions**

Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the System and the Marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

## **5. Relief for Breaches of Confidentiality and Non-Competition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage

and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement, such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

**6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Individual shall reimburse Franchisee for any and all costs and attorney fees incurred by Franchisee in the enforcement of the terms of this Agreement.

c) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

d) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

e) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

f) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

WITNESS:

\_\_\_\_\_

FRANCHISEE:

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

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

INDIVIDUAL:

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

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

**EXHIBIT C TO THE FRANCHISE AGREEMENT  
ASSIGNMENT, ASSUMPTION AND CONSENT TO TRANSFER  
OF FRANCHISE AGREEMENT TO  
WHOLLY OWNED ENTITY**

THIS ASSIGNMENT, ASSUMPTION AND CONSENT (the “Assignment”) is made and entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and among Hand and Stone Franchise LLC, a New Jersey limited liability company, having its principal place of business at 1210 Northbrook Drive, Suite 150, Trevose, PA 19053 (“Franchisor”), and \_\_\_\_\_, an individual(s) with an address at \_\_\_\_\_ (individually or collectively “Assignor”), and \_\_\_\_\_ (“Assignee”), a \_\_\_\_\_ with an address at \_\_\_\_\_.

**BACKGROUND**

A. Franchisor and Assignor entered into a franchise agreement on \_\_\_\_\_ (the “Franchise Agreement”), whereby Assignor was granted the right and undertook the obligation to open and operate a Hand and Stone franchise (the “Spa”) utilizing Franchisor’s proprietary marks and system located at \_\_\_\_\_.

B. Assignor subsequently formed Assignee for purposes of serving as the “Franchisee” entity under the Franchise Agreement.

C. Assignor desires to assign his/her rights and obligations under the Franchise Agreement to Assignee, pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement from Assignor to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor’s agreement to remain be personally liable under the Franchise Agreement.

**AGREEMENT**

In consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the provisions of this Assignment, Assignor hereby assigns and transfers over to Assignee all of Assignor’s rights, obligations, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment. Assignee hereby assumes all of Assignor’s rights, obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and Assignee agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the “Franchisee” under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as said “Franchisee.” Franchisor hereby consents to the foregoing assignment, subject to the provisions set forth in this Assignment, and hereby waives any right to collect a transfer fee or exercise a right of first refusal in connection with this Assignment.

2. Assignor shall remain legally bound by all of the provisions of the Franchise Agreement including the restrictive covenants contained in Articles 7 and 17 and personally liable in all respects under the Franchise Agreement. Assignor, jointly and severally, personally guarantees all of Assignee’s obligations set forth in the Franchise Agreement.

3. Assignor and Assignee represent and warrant that Assignor is the sole and exclusive

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

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_\_\_\_\_ between \_\_\_\_\_ and Hand and Stone Franchise LLC”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated \_ \_ between \_\_\_\_\_ and Hand and Stone Franchise LLC”

4. \_\_\_\_\_ shall devote his/her best efforts to the day-to-day operation and development of the Spa.

5. This Assignment and the Franchise Agreement constitute the entire integrated agreement of the parties with respect to the subject matter contained herein, and may not be subject to any modification without the written consent of the parties. Except as modified by this Assignment, all terms and conditions of the Franchise Agreement are hereby ratified and confirmed by the parties.

WITNESS:

ASSIGNOR:

\_\_\_\_\_

\_\_\_\_\_

ATTEST:

ASSIGNEE:

\_\_\_\_\_

By: \_\_\_\_\_ (SEAL)  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

In consideration of the execution of the above Agreement, Hand and Stone Franchise LLC hereby consents to the above referred to assignment on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**HAND AND STONE FRANCHISE LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D TO THE FRANCHISE AGREEMENT**  
**CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE**

**THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE** (this “**Assignment**”) is made, entered into and effective as of the effective date of the Lease (as defined hereinbelow), by, between and among **HAND AND STONE FRANCHISE LLC**, with its principal business address located at 1210 Northbrook Drive, Suite 150, Trevose, PA 19053 (the “**Franchisor**”), and \_\_\_\_\_ (the “**Franchisee**”).

**BACKGROUND INFORMATION**

The Franchisor entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of \_\_\_\_\_, 20\_\_\_\_ with the Franchisee, pursuant to which the Franchisee plans to own and operate a HAND AND STONE franchise Franchised Business (the “**Franchised Business**”) located at \_\_\_\_\_ (the “**Site**”). In addition, pursuant to that certain Lease Agreement (the “**Lease**”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from \_\_\_\_\_ (the “**Lessor**”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

**OPERATIVE TERMS**

The Franchisor and the Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Lease.
3. **Indemnification of Franchisor:** The Franchisee agrees to indemnify and hold the Franchisor and its affiliates, stockholders, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, the Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Conditional Assignment:** The Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by the Franchisee under the terms of the Lease, or, in the event the Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the

Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other Agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** The Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, the Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

- a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;
- b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;
- c) to exclude the Franchisee, its agents or employees from the Site;
- d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;
- e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;
- f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and
- g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or



h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of the Franchisee's default under the Lease.

7. **Power of Attorney:** The Franchisee does hereby appoint irrevocably the Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys' Fees, Etc.** Franchisee must pay all reasonable attorneys' fees, court costs and expenses Franchisor incurs whether or not formal arbitration or judicial proceedings are initiated by Franchisor against Franchisee for a breach of any material obligation under this Assignment. If Franchisee institutes any arbitration or legal action against Franchisor to interpret or enforce the terms of this Assignment, and Franchisee's claims in such an action are denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

**IN WITNESS WHEREOF**, the Parties have caused this Assignment to be executed as of the day and year first above written.

**THE “FRANCHISEE”:**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**THE “FRANCHISOR”:**

HAND AND STONE FRANCHISE LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

**THE “LESSOR”:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT E TO THE FRANCHISE AGREEMENT**  
**ACKNOWLEDGMENT OF TELEPHONE NUMBER OWNERSHIP**

This will acknowledge that all telephone numbers relative to that certain Hand and Stone Franchised Business franchised to \_\_\_\_\_ (“Franchisee”) by Hand and Stone Franchise LLC (“Franchisor”) pursuant to a Franchise Agreement of even date herewith (“Franchise Agreement”), whether such telephone numbers now exist or are added during the term of the Franchise Agreement and including any “rollover” telephone numbers, are solely the property of the Franchisor. Such telephone numbers may be used by Franchisee at the Franchised Business, subject to the terms of the Franchise Agreement, specifically including the following numbers:

Franchisee hereby acknowledges that any telephone numbers used at Franchisee’s Franchised Business shall appear under the Franchisor’s Marks (as defined in the Franchise Agreement) in telephone directory listings, advertising and yellow pages advertising.

Franchisee hereby grants to Franchisor the irrevocable right to have any such telephone numbers removed, transferred or suspended from the approved location of the Franchised Business in accordance with the terms of the Franchise Agreement, or in the event of the termination, expiration, rejection or rescission of the Franchise Agreement for any reason whatsoever.

Franchisee acknowledges and understands that, because Franchisor is the owner of all telephone numbers related to the Franchised Business, Franchisee may not and shall not make any service order changes to such telephone numbers, including, but not limited to, change of authorized parties, change of local or long-distance providers, or termination or transfer of the telephone numbers, and that any such change or attempted change to the account shall be null and void and of no effect.

Franchisee further acknowledges that it is the billing party related to the telephone numbers, and as such Franchisee shall at all times ensure that any bills provided to Franchisee by the telephone service provider are paid promptly and that there are no outstanding balances due related to the telephone numbers.

IN WITNESS WHEREOF, the parties hereto have executed this Acknowledgment this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

**FRANCHISEE:**

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

**FRANCHISOR**

HAND AND STONE FRANCHISE LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F TO THE FRANCHISE AGREEMENT  
ACH AGREEMENT**

**AUTHORIZATION AGREEMENT FOR  
ELECTRONIC PAPERLESS CHECK DEBIT**

COMPANY NAME: \_\_\_\_\_

COMPANY TAXPAYER ID NUMBER: \_\_\_\_\_

I HEREBY AUTHORIZE **HAND AND STONE FRANCHISE LLC** TO AUTOMATICALLY DEBIT THE FOLLOWING CHECKING ACCOUNT ON A WEEKLY BASIS FOR ROYALTIES, MARKETING, LOCAL ADVERTISING, EQUIPMENT, COMPUTER SOFTWARE SUPPORT FEE OR ANY OTHER AMOUNTS DUE TO HAND AND STONE FRANCHISE LLC SO LONG AS MY FRANCHISE AGREEMENT IS IN EFFECT. DEBITS FOR THIS AGREEMENT WILL BE FROM \_\_\_\_\_ (Date of Franchise Agreement) FORWARD:

FINANCIAL INSTITUTION: \_\_\_\_\_

BRANCH: \_\_\_\_\_ CITY: \_\_\_\_\_ STATE: \_\_\_\_\_

TRANSIT/ABA NO.: \_\_\_\_\_ ACCOUNT # \_\_\_\_\_

ENCLOSED IS A VOIDED CHECK FROM THE ACCOUNT I DESIGNATE FOR DEBIT

DATED: \_\_\_\_\_, 20\_\_ \_\_\_\_\_  
Signature

**EXHIBIT G TO THE FRANCHISE AGREEMENT**  
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, Hand and Stone Franchise LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Hand and Stone Massage Spa Business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

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

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

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

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

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

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

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

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

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

If No, do you wish to have more time to do so?

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

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

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

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

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

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

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

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

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

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

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

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

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

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

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

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

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

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

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

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.



You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this \_\_\_\_ day of \_\_\_\_\_, 202\_\_.

FRANCHISEE:

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_



**EXHIBIT E TO THE DISCLOSURE DOCUMENT**  
**LIST OF ACTIVE FRANCHISE OWNERS – 12/31/2022**

ALABAMA						
Patel Ayesha	Patel Niru	935 Bob Wallace Avenue	Huntsville	Alabama	35801	(256) 384-1178
John Goldasich	Caroline Goldasich	716 Montgomery Highway	Vestavia Hills	Alabama	35216	(205) 588-0613

ARIZONA						
Mantione David	Mantione Tara	39504 N. Daisy Mountain Dr.	Anthem	Arizona	85086	(623) 551-6602
Dawson Mark	Martinez Carrie	2925 South Alma School Road	Chandler	Arizona	85286	(480) 665-5600
Rogers	Anita	2765 S. Market Street	Gilbert	Arizona	85295	(480) 237-4496
Flannery	Jeff	3870 W. Happy Valley Road	Glendale	Arizona	85310	(623) 200-5300
Flannery	Jeff	1981 N Pebble Creek Parkway	Goodyear	Arizona	85395	(623) 934-3562
Flannery	Jeff	7381 West Bell Rd.	Peoria	Arizona	85382	(623) 878-6225
Sadowy Jesse	Sweeney Jennifer	24640 North Lake Pleasant Parkway	Peoria	Arizona	85383	(623) 806-8403
Flannery	Jeff	4940 East Ray Road	Phoenix	Arizona	85044	(480) 961-0027
Fleming John	Fleming Jill	4727 East Cactus Road	Phoenix	Arizona	85032	(602) 992-2268
Dawson	Mark	20784 E Victoria Lane	Queen Creek	Arizona	85142	(602) 281-8844
Brown Maggie	Papanikolas Skip	31309 N. Scottsdale Rd.	Scottsdale	Arizona	85266	(480) 575-1000
Brown Maggie	Papanikolas Skip	15233 North 87th Street	Scottsdale	Arizona	85266	(480) 991-5100

Rogers	Anita	7620 E. Indian School Road	Scottsdale	Arizona	85251	(480) 939-5228
Bhatia	Steve	13794 West Waddell Road	Surprise	Arizona	85379	(623) 399-6262
Snyder	Jack	742 E. Glendale Avenue	Phoenix	Arizona	85020	(480) 841-5700

CALIFORNIA						
Flannery	Jeff	2661 Blanding Avenue	Alameda	California	94501	(510) 523-3500
Floriani Cynthia	Garrett John	2549 Imperial Hwy	Brea	California	92821	(714) 786-8434
Flannery	Jeff	5561 Lone Tree Way	Brentwood	California	94513	(925) 626-7188
Fas Jennifer	Fas Ray	13247 South Street	Cerritos	California	90703	(562) 375-6370
Alt	Irma	4200 Chino Hills Parkway	Chino Hills	California	91709	(909) 597-9717
Beser	David	223 E. 17th Street	Costa Mesa	California	92627	(949) 645-4823
Geissler	Diane	3815 Overland Avenue	Culver City	California	90232	(424) 226-1658
Ben-Zeev Ariel	Ben-Zeev Eliana	11 Railroad Ave.	Danville	California	94526	(925) 885-6040
Ahmadzia	Ahmad	5294 Dublin Blvd.	Dublin	California	94568	(925) 828-8500
Ann Le	Prideaux Robin	80 El Camino	Fresno	California	93720	(559) 573-8899
Beser	David	19732 Beach Boulevard	Huntington Beach	California	92648	(714) 962-2423
Beser	David	30836 South Coast Highway	Laguna Beach	California	92651	(949) 715-5567
Tang Catrina	Fuller Shawn	23708-C El Toro	Lake Forest	California	92630	(949) 503-0900
Flannery	Jeff	6786 Bernal Ave	Pleasanton	California	94566	(925) 426-4772
Mandell Henry	Mandell Sheryl	19300 Rinaldi Street	Porter Ranch	California	91326	(818) 366-8866
Reid Bernadette	Reid Gus	30652 Rancho Santa Margarita Parkway	Rancho Santa Margarita	California	92688	(949) 713-1333

Flannery	Jeff	270 Northgate One	San Rafael	California	94903	(415) 499-9600
Mandell	Henry	2024 Avenida De Los Arboles	Thousand Oaks	California	91362	(805) 246-1450
Tang Catrina	Fuller Shawn	2981 El Camino Real	Tustin	California	92782	(714) 505-6600
Ferrer Christina	Douty Donna	903 W. Foothill Blvd.	Upland	California	91786	(909) 474-7373

**COLORADO**

Ivener	David	7705 Wadsworth Boulevard	Arvada	Colorado	80003	(303) 940-3300
Lloyd John	Bowen Brian	24300 E. Smoky Hill Road	Aurora	Colorado	80016	(303) 766-2266
Gensler Mike	Gensler Wendy	6554 S. Parker Road	Aurora	Colorado	80016	(303) 400-4333
Ivener	David	2525 Arapahoe Avenue	Boulder	Colorado	80302	(720) 500-1200
Gill	Matthew	1345 New Beale Street	Castle Rock	Colorado	80108	(720) 642-7000
Paul Doug	Paul Heather	9673 Prominent Point	Colorado Springs	Colorado	80924	(719) 358-5140
Bowen Brian Lloyd	John Steinberg Martin	1512 Larimer Street	Denver	Colorado	80202	(303) 534-1005
Bostrom	Erik	3333 South Tamarac Drive	Denver	Colorado	80231	(303) 331-4444
Glick	Noah	8370 Northfield Blvd.	Denver	Colorado	80238	(303) 574-0150
Glick	Noah	250 Columbine Street	Denver	Colorado	80206	(303) 394-4444
Preonas	Chrysse	5050 South Federal Blvd.	Englewood	Colorado	80110	(720) 500-0502
Ramstetter	Kyle	150 East Harmony Road	Fort Collins	Colorado	80525	(970) 251-1075
Bostrom	Erik	2030A East County Line Road	Highlands Ranch	Colorado	80126	(303) 586-5700
Huang	Liming	7650 W. Virginia Avenue	Lakewood	Colorado	80226	(303) 232-8772

Bostrom	Erik	14500 W. Colfax Avenue	Lakewood	Colorado	80401	(720) 805-0500
Bostrom	Erik	8246 W. Bowles Avenue	Littleton	Colorado	80120	(303) 933-2006
Gensler Mike	Gensler Wendy	11120 S. Twenty Mile Rd.	Parker	Colorado	80134	(303) 805-4200
Bulatovic Brian	Bulatovic Julie	5140 W. 120th Avenue	Westminster	Colorado	80020	(303) 464-1111

**CONNECTICUT**

Durr	Robert	143 Federal Road	Brookfield	Connecticut	6804	(203) 775-2244
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**DELAWARE**

Simons	Diana	213 Governors Place	Bear	Delaware	19701	(302) 838-1011
Simons	Diana	401 South Ridge Avenue	Middletown	Delaware	19709	(302) 257-5550
Danver	Eric	302 Suburban Drive	Newark	Delaware	19711	(302) 444-0199
Danver	Eric	4397 Kirkwood Hwy	Wilmington	Delaware	19808	(302) 633-1400
Danver	Eric	3596 Concord Pike	Wilmington	Delaware	19803	(302) 478-1700

**FLORIDA**

Chenier Katherine	Chenier Louis	9930 Clint Moore Road	Boca Raton	Florida	33496	(561) 571-4001
Chenier Katherine	Chenier Louis	2108 N. Federal Highway	Boca Raton	Florida	33431	(561) 500-7772
Weaver James Tirado	Rene Weaver Connie	11009 Causeway Boulevard	Brandon	Florida	33511	(813) 409-3848
Egan Jr. James	Singh Paul & Sunitee	9224 Wiles Road	Coral Springs	Florida	33067	(954) 388-0779
Egan Jr.	James	1829 S. University Drive	Davie	Florida	33324	(954) 472-2288

Norman	David & Wendy	1293 Cornerstone Blvd., Suite A	Daytona Beach	Florida	32114	(386) 310-0919
Bradley Amy	Bradley Brad	2441 S. Woodland Blvd.	DeLand	Florida	32720	(386) 219-1970
Chenier	Katherine	900 Linton Boulevard	Delray Beach	Florida	33444	(561) 443-5520
Reilly Eileen	Reilly Patrick	34940 Emerald Coast Parkway	Destin	Florida	32541	(850) 389-0015
Patel Bijal	Patel Himanshu	8450 NW 53rd Street	Doral	Florida	33166	(305) 726-0221
McLain	Tara	23181 Village Shops Way	Estero	Florida	33928	(239) 992-0434
McLain	Tara	5000 US Hwy. 17	Fleming Island	Florida	32003	(904) 215-7727
Egan	James	6891 Daniels Parkway	Fort Myers	Florida	33966	(239) 747-6750
Egan	James	2384 North Federal Highway	Ft. Lauderdale	Florida	33305	(954) 870-7445
McLain	Tara	4122 NW 16th Boulevard	Gainesville	Florida	32605	(352) 877-4510
Patel	Shailesh	1858 3rd Street South	Jacksonville Beach	Florida	32250	(904) 512-7588
Beers*** Rob	Beers Alicia	2645 W Osceola Parkway	Kissimmee	Florida	34741	(407) 343-0035
Weaver James Tirado	Rene Weaver Connie	4750 South Florida Ave	Lakeland	Florida	33813	(863) 940-4789
O'Neill	Nicholas	2425 W. State Road 434	Longwood	Florida	32779	(407) 910-2350
Whitby	Elizabeth	6375 North Wickham Road	Melbourne	Florida	32940	(321) 319-3550
Danver	Eric	8310 Mills Drive	Miami (Kendall)	Florida	33183	(305) 595-5262
Rojas Juliana	Sanchez Omar Javier	7423 Miami Lakes Drive	Miami Lakes	Florida	33014	(305) 846-9424
Danver	Eric	7301 SW 57 Court	Miami, FL-South	Florida	33143	(305) 662-2222
Bradley Amy	Bradley Brad	17315 US-441	Mount Dora	Florida	32757	(352) 325-5390
McLain	Tara	9128 Strada Place	Naples	Florida	34108	(239) 254-0454

Caulk	Robert	4868 Davis Blvd.	Naples	Florida	34112	(239) 734-5587
Sanchez Jennifer Sanchez	Julia Sanchez Omar	1602 NE Miami Gardens Drive	North Miami Beach	Florida	33179	(786) 332-5995
Mellen Andrew	Sorenson Kirk	7600 Dr. Phillips Blvd.	Orlando	Florida	32819	(407) 321-2121
Corp	Richey Jana	12500 Lake Underhill Road	Orlando	Florida	32828	(407) 347-6417
Sunderland Derek	Sunderland Yvonne	2823 South Orange Avenue	Orlando	Florida	32806	(407) 203-8926
Dugan Robert	Dugan Connie	12278 Narcoossee Road	Orlando	Florida	32827	(407) 240-2772
Corp	Richey Jana	1803 E. Broadway Street	Oviedo	Florida	32765	(407) 308-0638
Corp	Bill	10945 N. Military Trail	Palm Beach Gardens	Florida	33418	(561) 815-1120
Whitby	Elizabeth	2710 SW Martin Downs Blvd.	Palm City	Florida	34990	(772) 222-6915
O'Neill Pamela	O'Neill Eugene	5200 FL-100	Palm Coast	Florida	32164	(386) 270-1200
Weaver James	Tirado Rene	306 East Lake Rd. S.	Palm Harbor	Florida	34685	(727) 565-0605
Williams Don	Williams Maria	15600 Panama City Beach Parkway	Panama City Beach	Florida	32413	(850) 391-0764
Egan Jr.	James	11910 Pines Blvd.	Pembroke Pines	Florida	33026	(954) 210-9717
Walker	Arlene	1781 Dunlawton Avenue	Port Orange	Florida	32127	(386) 261-1285
Marazzi	Kelli & William	10532 SW Village Parkway	Port St. Lucie	Florida	34987	(772) 303-1030
Bates Jeff	Plouffe Jody	70 Durbin Pavilion Drive	Saint Johns, FL	Florida	32259	(904) 667-4120
Gulledge Mike	Gulledge Debbie	3800 S. Tamiami Trail	Sarasota	Florida	34239	(941) 702-5224
Moore Doug	King Mark	7855 113th Street North	Seminole	Florida	33772	(727) 202-9227
King	Mark	5234 4th Street N.	St. Petersburg	Florida	33703	(727) 522-5500



Weaver James Tirado	Rene Weaver Connie	124 Westshore Boulevard	Tampa	Florida	33609	(813) 287-5000
Gulledge Debbie	Gulledge Mike	13129 North Dale Mabry Highway	Tampa	Florida	33618	(813) 425-1713
Urton Stephanie	Urton Ronald	312 Heald Way	The Villages	Florida	32163	(352) 775-1772
Gallarelli Mark	Gallarelli Valerie	8936 Strength Avenue	Trinity	Florida	34655	(727) 202-1233
Reisch Melissa Reisch	Russell Jimenez Louis	5405 University Parkway	University Park	Florida	34201	(941) 462-4772
McNichols	Becky & Christopher	465 21st Street	Vero Beach	Florida	32960	(772) 494-2028
Whitby	Elizabeth	715 Palm Bay Road	West Melbourne	Florida	32905	(321) 345-5664
Gulledge Debbie	Gulledge Mike	1664 Bruce B. Downs Blvd.	Westly Chapel	Florida	33543	(813) 229-8700
Singh Jasjot Paul	Singh Sunitee	4454 Weston Road	Weston	Florida	33331	(954) 278-8709
Mellen Andrew	Sorenson Kirk	6516 Old Brick Road	Windermere	Florida	34786	(407) 217-1200
Whitby Elizabeth Corp	Marler Tania	480 N. Orlando Avenue	Winter Park	Florida	32789	(407) 622-0227
		5641 Red Bug Lake Road	Winter Springs	Florida	32708	(407) 645-2772
Steven Harrison	Terri Harrison	585 Cypress Gardens Blvd.	Winter Haven,	Florida	33880	(863) 356-3500

**GEORGIA**

Vanukuru	Suresh	12850 Alpharetta Hwy 9 N	Alpharetta	Georgia	30004	(678) 940-4991
Buxton Jason	Jee Phetlada	5001 Peachtree Boulevard	Chamblee	Georgia	30341	(470) 377-5783
Ward CeWyon Chandler	Ward Reginald	1545 Church Street	Decatur	Georgia	30033	(404) 609-0061
Vanukuru	Suresh	4475 Roswell Road	Marietta	Georgia	30062	(770) 565-0808

Fields David Fields	Cheryl Hoy Justin	124 South Point Blvd.	McDonough	Georgia	30253	(478) 412-4700
Fields Cheryl Fields	David Hoy Justin	2015 West Highway 54	Peachtree City	Georgia	30269	(770) 336-6613
Vanukuru	Suresh	5610 Roswell Rd	Sandy Springs	Georgia	30342	(404) 523-7800

**ILLINOIS**

Laskosky	Paulina	710 S. Randall Rd	Algonquin	Illinois	60102	(847) 458-1817
Christy	William	792 W. Army Trail Road	Carol Stream	Illinois	60188	(630) 289-0200
Flannery	Jeff	3210 N. Lincoln Avenue	Chicago	Illinois	60657	(773) 945-0800
Flannery	Jeff	1130 South Michigan Ave.	Chicago	Illinois	60605	(312) 753-3312
Jensen Jim	Jensen Sara	624 N. York Street	Elmhurst	Illinois	60126	(630) 496-8181
Hendershott Michael	Hendershott Kathy	1416-A S. Randall Road	Geneva	Illinois	60134	(630) 262-1900
Laskosky Michael	Laskosky Paulina	20771 North Rand Road	Kildeer	Illinois	60047	(847) 550-1870
Hendershott Kathy	Hendershott Michael	2911 95th Street	Naperville	Illinois	60564	(630) 869-0450
Hendershott Kathy	Hendershott Michael	2531 75th Street	Naperville	Illinois	60540	(630) 355-1252
Bansal Sumit	Bansal Monica	3750 Willow Road	Northbrook	Illinois	60062	(847) 534-8201
Hendershott Kathy	Hendershott Michael	14225 95th Avenue	Orland Park	Illinois	60462	(708) 745-3545
Dunbar David	Dunbar George	3050 US Route 34	Oswego	Illinois	60543	(630) 282-7840
Christy	William	1215 Golf Road	Rolling Meadows	Illinois	60008	(847) 718-1215
Dunbar	George & David	978 Brook Forest Ave	Shorewood	Illinois	60404	(815) 556-1525

Christy	William	398 Randall Road	South Elgin	Illinois	60177	(630) 580-1224
Hendershott Kathy	Hendershott Michael	82 Danada Square West	Wheaton	Illinois	60189	(630) 221-8700

INDIANA

Haston Kathryn	Haston Tyler	10409 US Route 36	Avon	Indiana	46123	(317) 559-3240
Sanchez Heather	Sanchez Richard	14405 Clay Terrace Blvd	Carmel	Indiana	46032	(317) 559-0915
Beggs John	Bunchalk Richard	8505 Keystone Crossing	Indianapolis	Indiana	46240	(317) 559-3388

KANSAS

Lovins Sara	Lovins Troy	11725 Roe Ave.	Leawood	Kansas	66211	(913) 225-9341
Geist	David & Teresa	2835 N. Maize Road, Suite 189	Wichita	Kansas	67205	(316) 776-4099

KENTUCKY

Grove	Austin	2426 Baxter Avenue	Crescent Springs	Kentucky	41017	(859) 446-7532
Baughman, Jr.	James C.	4040 Finn Way	Lexington	Kentucky	40517	(859) 800-8185

MARYLAND

Danver	Eric	2480 Solomon's Island Rd.	Annapolis	Maryland	21401	(410) 224-4402
Vanukuru Sharmila	Vanukuru Suresh	45000 St. Andrews Church Rd	California	Maryland	20619	(240) 696-7190
Danver	Eric	6455 Dobbin Rd	Columbia	Maryland	21045	(410) 740-0977
Danver	Eric	217 Kentlands Blvd	Gaithersburg	Maryland	20878	(301) 527-8663
Elsbury	Andrew	18133 Town Center Drive	Olney	Maryland	20832	(301) 774-2256

Danver	Eric	550 I Governor Ritchie Hwy	Severna Park	Maryland	21146	(410) 544-7999
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MASSACHUSETTS						
Puli Kamavarapu Cheekati Busi Kasireddy Kamavarapu	Archana Manoj Vidyasagar Sri Vijaya Thanooj	168 Great Road, Unit D	Bedford	Massachusetts	01730	(781) 347-2229
Goldman Barry	Goldman David	5 Highland Common E	Hudson	Massachusetts	07149	(978) 763-1233
Goldman Barry	Goldman David	843 Worcester St.	Natick	Massachusetts	01760	(508) 720-2344
Barillas	Gus	109 Main Street	Stoneham	Massachusetts	2180	(999) 999-9999
Curran Franca	Curran Joe	49 Pleasant Street	Weymouth	Massachusetts	2190	(781) 331-7721

MICHIGAN						
Flowers Clif	Flowers Tracy	223 N. Maple Road	Ann Arbor	Michigan	48103	(734) 662-2000
Van Osdol	John	50932 Gratiot Road	Chesterfield Township	Michigan	48051	(586) 250-4560
Bansal	Sumit	31215 West Fourteen Mile Road	Farmington Hills	Michigan	48334	(248) 907-1130
Cook	James & Lynelle	5557 28th Street, Suite D	Grand Rapids	Michigan	49512	(616) 208-9880
Bansal Monica	Bansal Sumit	39713 Traditions Drive	Northville	Michigan	48167	(248) 550-0004
Bansal Monica	Bansal Sumit	2907 S. Rochester Road	Rochester Hills	Michigan	48307	(248) 710-0120
Bansal Monica	Bansal Sumit	1365 N. Coolidge Hwy.	Troy	Michigan	48084	(248) 609-9772
Patel	Roopen	8655 26 Mile Road	Washington Township	Michigan	48094	(586) 992-1222

MINNESOTA

Heeb Brian	Heeb Sherry Lee	11647 Fountains Drive	Maple Grove	Minnesota	55369	(763) 416-7077
Oursler Ed	Bostrom Erik	3525 Vicksburg Lane N	Plymouth	Minnesota	55447	(763) 551-1111
Meyers	Cathy	1671 West End Boulevard, Suite 3235	ST. Louis Park	Minnesota	55416	(763) 591-1111
Widness Jeff Schoettler Shannon	Widness Jill	858 West 78 <sup>th</sup> Street	Chanhassen	Minnesota	55317	(952) 395-3625

MISSOURI

Lovins Sara	Lovins Troy	215 S. Stewart Road	Liberty	Missouri	64068	(816) 293-9660
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NEBRASKA

Anthony	Curtis	10341 Pacific Street	Omaha	Nebraska	68114	(402) 951-9335
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NEVADA

Mascari Crowther	Lisa Wayne	1150 E Silverado Ranch Blvd.	Las Vegas	Nevada	89183	(702) 941-7833
DeGuzman	Benedict	1875 Festival Plaza Drive	Las Vegas	Nevada	89135	(702) 852-2550
Mascari Crowther	Lisa Wayne	530 Marks Street; Suite 100	Henderson	Nevada	89014	(725) 257-8011

NEW HAMPSHIRE

Barillas Gus	Barillas Ricardo	79 S. River Road	Bedford	New Hampshire	03110	(603) 668-3333
Barillas	Gus	2454 Lafayette Road	Portsmouth	New Hampshire	3801	(603) 677-1406

NEW JERSEY						
Silbert Jeff	Silbert Ken	1121 State Route 34	Aberdeen	New Jersey	7747	(732) 970-7740
Silbert Jeff	Silbert Ken	39 West Allendale Ave.	Allendale	New Jersey	7401	(201) 760-0600
Bogota Tara	Marco Nick	193 East 22nd Street	Bayonne	New Jersey	7002	(201) 243-7810
Shah Parul	Shah Sanjay	416 State Highway 202/206	Bedminster	New Jersey	7921	(908) 781-9900
Ruiz Irian	Ruiz Marie	274 Dunns Mill Road	Bordentown	New Jersey	8505	(609) 496-5533
Marco	Nick	34 Brick Plaza	Brick Township	New Jersey	8723	(732) 714-6625
Schrenk Debra	Schrenk Michael	363 US 202/206	Bridgewater	New Jersey	8807	(908) 382-3800
Silbert Jeff	Silbert Ken	640 Shunpike Road	Chatham	New Jersey	7928	(973) 236-1200
Erace	Joseph	2050 Marlton Pike West	Cherry Hill	New Jersey	8002	(856) 330-4170
Erace	Joseph	606 Haddonfield Road	Cherry Hill	New Jersey	8003	(856) 966-5500
Cagle Kim	Cagle Steve	77 Central Avenue	Clark	New Jersey	7066	(732) 540-8047
Silbert Jeff	Silbert Ken	700 Route 3	Clifton	New Jersey	7012	(973) 472-2500
Danver	Eric	1361A Fairview Blvd.	Delran	New Jersey	8075	(856) 764-7700
Silbert Jeff	Silbert Ken	3130 Route 10 West	Denville	New Jersey	7834	(973) 547-3600
Ruffenach	Cate	2000 Clements Bridge Rd.	Deptford	New Jersey	8096	(856) 845-8888
Danver	Eric	589 Route 18 South	East Brunswick	New Jersey	8816	(908) 344-5455
Danver	Eric	72 Princeton Hightstown Rd.	East Windsor	New Jersey	08520	(609) 448-3840
Silbert Jeff	Silbert Ken	46 The Promenade	Edgewater	New Jersey	7020	(201) 496-5000
McMenamin Helen	McMenamin Thomas	6801 Blackhorse Pike	Egg Harbor Township	New Jersey	08234	(609) 804-7727

Silbert Jeff	Silbert Ken	494 Kinderkamack Road	Emerson	New Jersey	7630	(201) 483-9530
Santos Ayanna	Santos Raymond	30 International Drive South	Flanders	New Jersey	7836	(973) 695-0888
Meda Sriharsha	Ailuri Vasanthi	75 Reaville Avenue	Flemington	New Jersey	8822	(908) 782-8088
Silbert Jeff	Silbert Ken	828 Franklin Avenue	Franklin Lakes	New Jersey	7417	(201) 848-8300
Sodagum	Vinender	441 Elizabeth Avenue	Franklin Township	New Jersey	8873	(732) 356-9772
Harris Joe	Harris Kelly	694 Delsea Drive North	Glassboro	New Jersey	8028	(856) 269-4579
Koleci Robin	Sisco Tina	500 South River Street	Hackensack	New Jersey	7601	(201) 561-0407
Schrenk Debra	Schrenk Michael	1520 SR 38	Hainesport	New Jersey	8036	(609) 261-5555
Corporate*	Nikie Velardo	630 Marketplace Blvd.	Hamilton	New Jersey	8691	(609) 585-2250
Sarkar Ishani  Hinman Jesse	Sarkar Rajib	649 State Highway 206	Hillsborough	New Jersey	8844	(908) 281-0001
Desai	Komal	1400 Hudson Street	Hoboken	New Jersey	7030	(201) 243-7771
Marco*** Nick	Bogota Tara	4817 Rt.9	Howell	New Jersey	7731	(908) 280-0888
Bogota Tara	Marco Nick	344 North Main Street (Route 9)	Lanoka Harbor	New Jersey	8734	(609) 496-5555
Silbert Jeff	Silbert Ken	277 Eisenhower Parkway	Livingston	New Jersey	7039	(973) 533-6100
Bogota Tara	Marco Nick	295 Route 72	Manahawkin	New Jersey	8050	(609) 597-4440
Marco*** Nick	Bogota Tara	55 Route 9 South	Manalapan	New Jersey	07726	(732) 431-4722
Danver	Eric	884 route 73 north	Marlton	New Jersey	8053	(856) 817-0300
Sarkar Ishani Hinman	Jesse Sarkar Rajib	4215 Black Horse Pike	Mays Landing	New Jersey	8330	(609) 484-0808

Danver	Eric	175 Route 70, Suite 4-B	Medford	New Jersey	08055	(609) 257-3926
Marco	Nick	457 State Hwy 35	Middletown	New Jersey	7701	(732) 842-8500
McMenamin Helen	McMenamin Thomas	2190 B North 2nd Street	Millville	New Jersey	8332	(856) 765-9494
Desai	Komal	648 Bloomfield Avenue	Montclair	New Jersey	7042	(973) 498-1590
Friedman	Zach	118 Headquarters Plaza	Morristown	New Jersey	7960	(973) 998-8055
McShea Christopher McShea	Elissa Vesper Melanie	141 Bridgeton Pike	Mullica Hill	New Jersey	8062	(856) 478-4600
Chokshi Ashish	Sodagum Vinender	768 Shoppes Blvd.	North Brunswick	New Jersey	8902	(732) 317-3222
Danver	Eric	2329 State Route 66	Ocean	New Jersey	7712	(732) 228-8101
Marco***	Nick	1048 Route 9	Parlin	New Jersey	8859	(908) 264-0081
Chokshi Shilpa	Sodagum Vinender	1292 Centennial Avenue	Piscataway	New Jersey	8854	(732) 981-1000
Silbert Jeff	Silbert Ken	63 Wanaque Avenue	Pompton Lakes	New Jersey	7442	(973) 248-8100
Danver	Eric	560 Nassau Park Blvd.	Princeton	New Jersey	8540	(609) 514-8600
McMenamin Helen DiGangi	Daniel McMenamin Thomas	277 New Road	Somers Point	New Jersey	8244	(609) 904-9004
Marco	Nick	1325 Warren Avenue	Spring Lake Heights	New Jersey	7762	(732) 449-1700
Marco*** Nick	Bogota Tara	1358 Hooper Avenue	Toms River	New Jersey	8753	(732) 349-9700
Sarkar Rajib Sarkar	Ishani Hinman Jesse	3501 Rt 42	Turnersville	New Jersey	8012	(856) 629-8080
Danver	Eric	700 Haddonfield Berlin Rd.	Voorhees	New Jersey	8043	(856) 627-6277
Meda Sriharsha	Ailuri Vasanthi	1701 Route 22	Watchung	New Jersey	7069	(908) 333-6722
Patel	Mehta	685 Hamburg Turnpike	Wayne	New Jersey	7040	(973) 925-7722



Pinkesh	Harsh					
Marco	Nick	310 State Hwy 36	West Long Branch	New Jersey	7740	(732) 389-9009
Cagle Kim	Cagle Steve	789 St. Georges Avenue	Woodbridge	New Jersey	7095	(732) 874-5373

NEW YORK						
Mooney William Blaise Jean-Pierre	Mooney Maryellen Blaise Tina	124 East Main Street	Babylon	New York	11702	(631) 669-4600
Mirabella Cathy	Mirabella Michael	595 E. Main Street	Bay Shore	New York	11706	(631) 954-0450
Moss	Lisa	2736 Merrick Road	Bellmore	New York	11710	(516) 308-0999
Stephanos	George	214A Glen Cove Road	Carle Place	New York	11514	(516) 806-4322
Kulberg Lauren	Kulberg Michael	6020 Jericho Turnpike	Commack	New York	11725	(631) 462-1010
Bernstein	Alan	1300 Broadway	Hewlett	New York	11557	(516) 619-9600
Blaise Tina Mooney Maryellen	Blaise Jean-Pierre Mooney William	16 Wall Street	Huntington	New York	11743	(631) 424-2200
Rejwan Gil	Rejwan Lisa	467 North Broadway	Jericho	New York	11753	(516) 801-8200
Mahler	Paul	3515 Hempstead Turnpike	Levittown	New York	11756	(516) 622-3077
Corey George Corey	Grisel Corey Michael	345 Mamaroneck Avenue	Mamaroneck	New York	10543	(914) 268-9040
Imbesi	Russ	315 Walt Whitman Road	Melville	New York	11746	(631) 677-1300
Vasquez	Sindy	170 South Main Street	New City	New York	10956	(845) 708-0808

Yarrington Rosalia	Yarrington Robert	987 Port Washington Blvd	Port Washington	New York	11050	(516) 944-6000
Durr Marianne	Durr Robert	1895 South Rd	Poughkeepsie	New York	12601	(845) 298-8088
Woods Jennifer	Woods Michael	302 Merrick Road	Rockville Centre	New York	11570	(516) 766-4772
Ciniglio Ciro	Ciniglio Emma	126 E. Main Street	Smithtown	New York	11787	(631) 982-4900
Nocito Anthony	Nocito Traci	205 Bricktown Way	Staten Island	New York	10309	(718) 568-8541
Kirch Rob	kirch tina	2300 Nesconset Highway	Stony Brook	New York	11790	(631) 751-4131
Denis Davenel	Ditta Josephine	1900 Empire Blvd.	Webster	New York	14580	(585) 265-2928
Pfaff	Jenny	8 Second Street	Yonkers	New York	10710	(914) 361-4263
Kathryn Perez	Carlos Perez	98 Wolf Road	Albany	New York	12205	(518) 941-9550
Judy Guarino	Jolene Libretto	34 N 6 <sup>th</sup> Street	Brooklyn	New York	11249	(718) 540-4680

NORTH CAROLINA

Anthony Eric	Luce Rob	1431 Kelly Road	Apex	North Carolina	27502	(919) 650-4611
Anthony Eric	Luce Rob	1829 Hendersonville Road	Asheville	North Carolina	28803	(828) 229-7733
Heck	Jeff	12102 Bradford Green Square	Cary	North Carolina	27519	(919) 465-0819
Bowen Ken	Thomas Karen	302 Colonades Way	Cary	North Carolina	27518	(919) 238-4810
Johnson Andy	Johnson Christine	8 Meadowmont Village	Chapel Hill	North Carolina	27517	(919) 929-6988
Foster Chad	Reisinger Mark	7300 Waverly Walk Avenue	Charlotte	North Carolina	28277	(704) 901-8221
Anthony Eric	Luce Rob	4310 Sharon Road	Charlotte	North Carolina	28211	(704) 947-8715
Jewell Chris	Jewell Susan	13540 Hoover Creek Blvd.	Charlotte	North Carolina	28273	(980) 202-6699
Foster Chad	Reisinger Mark	16615 Lancaster Highway	Charlotte	North Carolina	28277	(704) 341-2052

Anthony Eric	Luce Rob	8915 Christenbury Pkwy	Concord	North Carolina	28027	(704) 315-6694
Heck	Jeff	1819 Martin Luther King, Jr. Parkway	Durham	North Carolina	27707	(919) 794-8086
Anthony Eric	Luce Rob	318 Glensford Drive	Fayetteville	North Carolina	28314	(910) 300-9611
Rosende	Shelly Lynn & Jorge	1451 East Broad Street, Suite A-012B	Fuquay-Varina	North Carolina	27526	(919) 914-0944
Anthony Christiana	Anthony Eric	3352 W. Friendly Ave.	Greensboro	North Carolina	27410	(336) 218-6998
Anthony	Eric	4117 Brian Jordan Place	High Point	North Carolina	27265	(336) 790-5660
Pirkle David	Pirkle Franci	14210 Market Square Drive	Huntersville	North Carolina	28078	(704) 946-2040
Hunter	Conrad & Janet	631 Brawley School Road, Suite 200	Mooresville	North Carolina	28117	(704) 800-5535
Parks	Chris	6625 Falls of Neuse Rd.	Raleigh	North Carolina	27615	(919) 729-5606
Newport	Michael	402 Oberlin Road	Raleigh	North Carolina	27605	(919) 749-5335
Johnson	Andy	9650 Leesville Road	Raleigh	North Carolina	27613	(984) 238-2366
Anthony Eric	Luce Rob	10205 US 15-501 Highway	Southern Pines	North Carolina	28387	(910) 505-9510
Johnson Andy	Johnson Christine	840 Town Center Drive	Wilmington	North Carolina	28405	(910) 294-8866
Anthony Christiana	Anthony Eric	310 S. Stratford Road	Winston-Salem	North Carolina	27103	(336) 790-9644
Crawford	Tina	80 S Tunnel Road	Asheville	North Carolina	28805	(828) 785-4488

**NOVIA SCOTIA - CANADA**

Steve MacLeod	Tricia MacLeod	4-325 Washmill Lake Dr.	Haifax	Novia Scotia	B3S 0C4	
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**OHIO**

Dittoe Pamela	Dittoe Thomas	27950 Chagrin Blvd	Beachwood	Ohio	44122	(216) 839-2772
Lane	Michael	5240 Cornerstone North Blvd.	Centerville	Ohio	45440	(937) 907-3030
Hutchinson	John	9861 Waterstone Blvd.	Cincinnati	Ohio	45249	(513) 683-4262

Collett	Scott	3242 Vandercar Way	Cincinnati	Ohio	45209	(513) 644-0330
Hutchinson	John	690 Eastgate Drive	Cincinnati	Ohio	45245	(513) 757-9021
Amatos	Chris	1190 Polaris Parkway	Columbus	Ohio	43240	(614) 430-9911
Lane	Michael	2826 Miamisburg Centerville Rd.	Dayton	Ohio	45459	(937) 350-6669
Long Brent	Tandy Collene	6570 Perimeter Drive	Dublin	Ohio	43017	(614) 792-7721
Neal	Krista	8077 East Broad Street	Reynoldsburg	Ohio	43068	(614) 655-4342
Crandall	David	19356 Detroit Road	Rocky River	Ohio	44116	(440) 772-0410
Crandall	David	17100 Royalton Road	Strongsville	Ohio	44136	(440) 730-4223
Collett	Scott	7685 Doc Drive	West Chester	Ohio	45069	(513) 982-1632

**OKLAHOMA**

Goodnight	Ryan & Teresa	7323 South Olympia Avenue, Suite G	Tulsa	Oklahoma	74132	(918) 727-2772
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**ONTARIO - CANADA**

Pharmaha	Varinderjit	15480 Bayview Avenue	Aurora	Ontario	L4G7J1	905-726-9900
Hanson- Hoyte	Carmen	617 Cundles Rd E	Barrie	Ontario	L4M 0G9	(705) 733-8772
Hanson- Hoyte	Carmen	130 Live Eight Way	Barrie	Ontario	L4N 6P3	9999999999
Mather Sandra	Simic Steve	210 Great Lakes Drive	Brampton	Ontario	L6R 2K7	(905) 458-7772
Carola Miranda	Geng Julie	491 Appleby Line	Burlington	Ontario	L7L 2Y1	(905) 633-9444
Vivian Tang	Freeman Lai	1210 Castlemore Avenue	Markham	Ontario	L6E 0H7	905-294-8000
Guram	Aman	1095 Maple Avenue	Milton	Ontario	L9T 0A5	(289) 851-4444
Nadarajah	Niran	1476 Dundas Street East	Mississauga	Ontario	L4X 1L4	905-281-1888
Ali Naira	Mekky Wael	228 Lakeshore Road West	Mississauga	Ontario	L5H 1G6	(905) 278-4444
Eid	Tamer	7070 Saint Barbara Blvd.	Mississauga	Ontario	L5W 0E6	905-696-0403
Cheung	Walter	27 Rean Drive	North York	Ontario	M2K 0A6	(647) 748-4263

Cheung	Walter	895 Lawrence Avenue East	North York	Ontario	M3C 3L2	(416) 331-8686
McSeveny	Elaine	511 Maple Grove Drive	Oakville	Ontario	L6J 6X8	(289) 837-3838
Harding Gigi	Harding Brett	1615 Orleans Boulevard	Orleans	Ontario	K1C 7E2	(613) 424-6067
Modi Krishna	Patel Kinjal	999 Lansdowne St.	Peterborough	Ontario	K9J 8N2	(705) 749-3939
Michael Bellamy	Yin Penny	925 Liverpool Road	Pickering	Ontario	L1W 1S7	(905) 492-4263
Alpert Jonathan	He Renee	10909 Yonge Street	Richmond Hill	Ontario	L4C 3E3	(905) 737-8888
Chadna	Andrew	3270 Preston Ave. S.	Saskatoon	Ontario	S7T 0Y5	(306) 954-3139
Christie	Tanya	11 Disera Drive	Thornhill	Ontario	L4J 0A7	(905) 771-1772
Adhikari Kunal	Gee Wesley	1464 Danforth Avenue	Toronto	Ontario	M4J 1N4	(416) 406-4263
Tjie Lie Tjen	Wong Hoei Miin	1808 Avenue Road	Toronto	Ontario	M5M 3Z1	(647) 350-6608
Schranz	Helen Cheung	410 Lake Shore Blvd W	Toronto	Ontario	M5V 2V6	(647) 347-4909
Scharf	Carolyn	974 Kingston Road	Toronto	Ontario	M4E 1S9	(416) 901-8626
Mah	Vivian	3008 Bloor Street West	Toronto	Ontario	M8X 1C2	(416) 551-8028
Ali Salman	Gulati Roopali	578 College Street	Toronto	Ontario	M6G 1G3	(416) 321-1221
Challis Suzan Murray	Christina Murray Josh	85 Laird Drive	Toronto	Ontario	M4G 3T7	(647) 748-8853
Soares	Claudio	81 Jarvis Street Unit 100	Toronto	Ontario	M5C2H4	647-350-4263
Mann	Paul	8280 Highway 27	Vaughan	Ontario	L4H 0R9	(905) 856-5585
Nicholson Louise	Nicholson Murray	308 Taunton Rd. E	Whitby	Ontario	L1R 0H4	(905) 620-1400
Alpert Jonathan	Rioux Stephanie	3621 Major Mackenzie Drive West	Woodbridge	Ontario	L4H 0A2	(905) 417-1118

**OREGON**

Ortega Guillermo	Rivares Monica	12325 SW Horizon Blvd.	Beaverton	Oregon	97007	(503) 616-7057
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Ortega Guillermo	Rivares Monica	3435 Cedar Hills Blvd	Beaverton	Oregon	97005	(503) 626-8200
Ortega Guillermo	Rivares Monica	16144 SE Happy Valley Town Center Dr	Happy Valley	Oregon	97086	(503) 658-7500
Ortega Guillermo	Rivares Monica	7397 NE Butler St.	Hillsboro	Oregon	97124	(503) 681-4949
Ortega Guillermo	Rivares Monica	4823 Meadows Road	Lake Oswego	Oregon	97035	(503) 908-3999
Ortega Guillermo	Rivares Monica	25 NW 23rd Place	Portland	Oregon	97210	(503) 488-6770
Ortega Guillermo	Rivares Monica	4155 N. Williams Avenue	Portland	Oregon	97217	(503) 444-8292

PENNSYLVANIA						
Cox Clayton	Krafty John	750 N. Krocks Road	Allentown	Pennsylvania	18106	(610) 841-8882
Ho	Chueng (Duncan)	67 E. City Line Avenue	Bala Cynwyd	Pennsylvania	19004	(610) 572-2788
Bansal	Robin	3926 Linden Street	Bethlehem	Pennsylvania	18020	(610) 419-6050
Bansal	Robin	938 DeKalb Pike	Blue Bell	Pennsylvania	19422	(215) 278-6219
Wright	James	4912 Edgmont Avenue	Brookhaven	Pennsylvania	19015	(610) 340-3190
Burkitt	Dianne	Lawrence Park Shopping Center	Broomall	Pennsylvania	19008	(610) 359-0100
Kline Dana	Kline Stuart	761 Lancaster Avenue	Bryn Mawr	Pennsylvania	19010	(610) 642-7721
Danver	Eric	3506 Capital City Mall Dr.	Camp Hill	Pennsylvania	17011	(717) 459-9300
Danver	Eric	2960 Center Valley Parkway	Center Valley	Pennsylvania	18034	(610) 709-8709
Danver	Eric	200 West Ridge Pike	Conshohocken	Pennsylvania	19428	(610) 340-3134
Billy Gregory	Billy Janell	1713 Route 228	Cranberry	Pennsylvania	16066	(724) 638-8508
Danver	Eric	3770 Dryland Way	Easton	Pennsylvania	18045	(610) 258-3909
Bansal	Robin	207 W Lincoln Highway	Exton	Pennsylvania	19341	(610) 363-0400
Erace Bryn	Erace Joseph	190 E. Street Road	Feasterville-Trevoise	Pennsylvania	19053	(215) 322-8888
Nocito Anthony	Nocito Traci	1864 Bethlehem Pike	Flourtown	Pennsylvania	19031	(215) 233-4222

L'Heureux Debbie	L'Heureux Jerry	301 Byers Drive	Glen Mills	Pennsylvania	19342	(610) 361-6171
Smith Penny	Smith Andy	2615 Brindle Drive	Harrisburg	Pennsylvania	17110	(717) 651-1133
Nocito Traci	Nocito Anthony	2028 County Line Rd.	Huntingdon Valley	Pennsylvania	19006	(215) 355-3111
Shishko	Greg	126 Onix Drive	Kennett Square	Pennsylvania	19348	(484) 732-8134
Kline Stuart	Kline Dana	150 Allendale Road	King of Prussia	Pennsylvania	19406	(484) 322-2992
Smith Penny	Smith Andy	2351 Oregon Pike	Lancaster	Pennsylvania	17601	(717) 569-1133
Danver	Eric	512 Oxford Valley Road	Langhorne	Pennsylvania	19047	(215) 752-7900
Lega Mark	Lega Lauren	3937 Washington Road	McMurray	Pennsylvania	15317	(412) 324-8800
Erace	Joseph	2500 Grant Avenue	NE Philadelphia	Pennsylvania	19114	(267) 732-7065
Malerman	Cathy	2844 S. Eagle Road	Newtown	Pennsylvania	18940	(215) 968-3700
Danver	Eric	4831 West Chester Pike	Newtown Square	Pennsylvania	19073	(484) 427-7090
Lineman Connie	Mowry Maripat	20 Airport Square	North Wales	Pennsylvania	19454	(215) 855-7771
Rodner	Bryan	1425 Locust Street	Philadelphia	Pennsylvania	19102	(267) 687-8666
Stahl Eric	Barsky Loren	2000 Hamilton Street	Philadelphia	Pennsylvania	19130	(267) 455-0009
Martini Jason	Crowther Wayne	3200 Chestnut Street	Philadelphia	Pennsylvania	19104	(215) 259-7533
Guzy Jason Guzy	Jaime Jones Matt	1100 S. Columbus Blvd.	Philadelphia	Pennsylvania	19147	(215) 259-7576

Danver	Eric	1570 Egypt Road	Phoenixville	Pennsylvania	19456	(610) 666-9600
Billy Gregory	Billy Janell	6102 Centre Ave	Pittsburgh	Pennsylvania	15206	(412) 404-6393
Pewdo	Joe & Nina	936 Penn Ave.	Pittsburgh	Pennsylvania	15222	(412) 307-3199
Albanese	Noelle	1465 West Broad Street	Quakertown	Pennsylvania	18951	(215) 992-7999
Danver	Eric	1844 E. Ridge Pike	Royersford	Pennsylvania	19468	(610) 792-0772
Lega Lauren	Lega Mark	100 Siena Drive	Upper St. Clair	Pennsylvania	15241	(412) 604-9700
Mowry	Mowry	1661 Easton Road	Warrington	Pennsylvania	18976	(215) 491-1022

Greg	Maripat					
Michelle	Harhai	503 W. Lancaster Ave.	Wayne	Pennsylvania	19087	(610) 964-7800
Danver	Eric	168 Park Ave	Willow Grove	Pennsylvania	19090	(215) 657-6100
Danver	Eric	1185 Berkshire Blvd.	Wyomissing	Pennsylvania	19610	(610) 373-1213
Gokhale	Medha	12085 Perry Highway	Wexford	Pennsylvania	15090	(412) 455-5520

SOUTH CAROLINA						
Hill	Steve	275 Park Terrace Drive	Columbia	South Carolina	29212	(803) 219-1140
Dennis	Will	702 Cross Hill Road	Columbia	South Carolina	29205	(803) 726-0364
Dennis	Will	67 Woodruff Industrial Lane	Greenville	South Carolina	29607	(864) 234-5772
Francis	Sandy	755 Hammett Bridge Road	Greer	South Carolina	29650	(864) 438-0845
Cameron Abbey	Cameron Scott	7756 Charlotte Highway	Indian Land	South Carolina	29707	(803) 820-0380
Foster Chad	Reisinger Mark	1101 N. Main Street	Summerville	South Carolina	29483	(843) 800-8322

TENNESSEE						
Danver	Eric	201 Franklin Road	Brentwood	Tennessee	37027	(615) 850-4360
Danver	Eric	4091 Mallory Lane	Franklin	Tennessee	37067	(615) 791-0091
Danver	Eric	536 North Thompson Lane	Murfreesboro	Tennessee	37129	(615) 217-8181

TEXAS						
Khurana Sandeep	Khurana Shilpa	190 East Stacy Road	Allen	Texas	75002	(972) 787-0117
Boulware	Robert	3751 Matlock Rd.	Arlington	Texas	76015	(817) 468-2020
Glass Amy Smetana Hayley	Smetana Jiri West Pat	488 Lincoln Square	Arlington	Texas	76011	(817) 274-4880
Evans	Teri	4301 W. William Cannon	Austin	Texas	78749	(512) 892-1888
Evans	Teri	10740 Research Blvd.	Austin	Texas	78759	(512) 357-8311
Evans	Teri	10526 W. Parmer Lane	Austin	Texas	78717	(512) 733-6000



Wagner Diana	Wagner Keith	13500 Galleria Circle	Bee Cave	Texas	78738	(512) 263-2227
Glass Amy	West Pat	140 NW John Jones Drive	Burleson	Texas	76028	(817) 207-5636
Tennant Kristy	Tennant Mark	449 S. Loop 336 W	Conroe	Texas	77304	(936) 756-3800
Anderson	Mike	140 W Sandy Lake Road	Coppell	Texas	75019	(972) 295-9053
Hines	David	7331 Gaston Avenue	Dallas	Texas	75214	(214) 975-3975
D'Amico Nicolas	D'Amico Richard	3699 McKinney Ave.	Dallas	Texas	75204	(214) 396-9112
Smetana Hayley	Smetana Jiri	5100 Belt Line Road	Dallas	Texas	75254	(972) 991-6000
Hines	David	6411 E. Northwest Highway	Dallas	Texas	75231	(214) 489-7277
Brinkley Khamphiou	Brinkley Stephen	2921 State Highway 121	Eules	Texas	76039	(817) 809-4448
Honza Milton	McCullin Mark	3501 Long Prairie Road	Flower Mound	Texas	75022	(972) 355-3939
Brinkley Khamphiou	Brinkley Stephen	4670 SW Loop 820	Fort Worth	Texas	76109	(817) 809-4558
Brinkley Khamphiou	Brinkley Stephen	6323 Camp Bowie Blvd.	Fort Worth	Texas	76116	(817) 953-8180
Meyers Kim	Meyers Larry	9180 North Freeway	Fort Worth	Texas	76177	(817) 750-7777
Meyers Kim	Meyers Larry	2700 Presidio Vista Drive	Fort Worth	Texas	76177	(817) 953-8810
Glass Amy	West Pat	3240 West 7th Street	Fort Worth	Texas	76107	(817) 953-8550
Honza Milton	McCullin Mark	15962 W. Eldorado Parkway	Frisco	Texas	75035	(972) 542-8100
Brinkley Khamphiou	Brinkley Stephen	3211 Preston Road	Frisco	Texas	75034	(972) 334-9919
Aubrey	Darrell	1225 S IH 35	Georgetown	Texas	78626	(512) 890-1108
Rodgers Brittany	Rodgers Tony	10123 Louetta	Houston	Texas	77070	(832) 717-3800
Flannery	Jeff	1745 Voss Road	Houston	Texas	77057	(713) 972-9000
Berry Allison	Berry Cameron	12520 Memorial Drive	Houston	Texas	77024	(713) 904-3830

Rodgers Brittany	Rodgers Tony	5213 Kelvin Drive	Houston	Texas	77005	(713) 520-6161
Carrillo Churee	Gillies Jerry	5004 Gattis School Road	Hutto	Texas	78634	(512) 717-7764
Sperring Jeff	Sperring Laurey	941 MacArthur Park Drive	Irving	Texas	75063	(972) 556-9155
Wibner Chris	Wibner Elizabeth	23541 Westheimer Parkway	Katy	Texas	77494	(281) 869-3903
Berry Allison	Berry Cameron	4523 Kingwood Drive	Kingwood	Texas	77345	(281) 940-8979
Barnes	Robert	651 N. US Highway 183	Leander	Texas	78641	(512) 260-2224
Glass Amy	West Pat	1530 Debbie Lane	Mansfield	Texas	76063	(817) 473-4772
KhuranaSandeep	Khurana Shilpa	119 N. Murphy Road	Murphy	Texas	75094	(214) 396-8061
Meyers Kim	Meyers Larry	8528 Davis Blvd	North Richland Hills	Texas	76182	(817) 281-2226
Kim	Jamie	4801 W. Park Blvd.	Plano	Texas	75093	(972) 612-9972
Evans	Teri	200 University Blvd.	Round Rock	Texas	78665	(512) 863-4555
Wallace Jim	Wallace Melodie	10670 Culebra Road	San Antonio	Texas	78251	(210) 202-0630
Doss Daniel	Kilpatrick Leah	22502 US Hwy 281 N.	San Antonio	Texas	78258	(210) 590-4554
Wallace Jim	Wallace Melodie	1435 N Loop 1604 W	San Antonio	Texas	78258	(210) 963-7501
Meyers Kim	Meyers Larry	1221 East State Hwy 21	Southlake	Texas	76092	(817) 488-2223
Flannery	Jeff	16525 Lexington Blvd.	Sugar Land	Texas	77479	(281) 265-0065
Bhagwanji Kaushik	Bhagwanji Vrunda	18931 University Boulevard	Sugar Land	Texas	77479	(713) 955-4644
Rodgers Brittany	Rodgers Tony	4526 Research Forest Drive	The Woodlands	Texas	77381	(281) 298-5153
Rodgers Brittany	Rodgers Tony	26400 Kuykendahl Road	The Woodlands	Texas	77389	(281) 255-6222
Petree Loree	Petree Michael	8926 S. Broadway Ave	Tyler	Texas	75703	(903) 345-6051
Balmos Heath	Balmos Heather	2816 Marketplace Drive	Waco	Texas	76711	(254) 327-0580

Dinwoodie Frances	Eddy Joni	325 Adams Drive	Weatherford	Texas	76086	(817) 809-4853
Esmail	Heena	1523 West Bay Area Blvd.	Webster	Texas	77598	(281) 332-9656
Polvado	Tim	355 E Basse Road	San Antonio	Texas	78209	(210) 372-8344
Mark Mize	Heather Mize	6230 FM 1463	Fulshear	Texas	77441	(281) 310-5330
Green	Greg	2009 W. 34th Street	Houston	Texas	77018	(713) 955-3450

UTAH						
Deamer Greg	Deamer Rebecca	530 West 500 South	Bountiful	Utah	84010	(801) 833-0663
Burton	Patrick	12259 South 450 East	Draper	Utah	84020	(801) 441-6041
Burton	Patrick	944 Fort Union Blvd.	Midvale	Utah	84047	(801) 559-0470

VIRGINIA						
Danver	Eric	5830 Kingstowne Towne	Alexandria	Virginia	22315	(703) 922-7777
Danver	Eric	13033 Lee Jackson Memorial	Chantilly	Virginia	22033	(703) 378-8850
Elsbury	Andrew	250 Merchant Walk Avenue	Charlottesville	Virginia	22902	(434) 333-0706
Rosenberger Karen	Rosenberger Ronald	1224 Greenbrier Parkway	Chesapeake	Virginia	23320	(757) 500-2488
McBride Rob	McBride Sara	7204 Hancock Village	Chesterfield	Virginia	23832	(804) 639-1113
Danver	Eric	6112 Arlington Blvd.	Falls Church	Virginia	22044	(703) 533-0678
Danver	Eric	10002 Southpoint Parkway	Fredericksburg	Virginia	22407	(540) 496-0088
Rosenberger Karen	Rosenberger Ronald	1080 Virginia Center Parkway South	Glen Allen	Virginia	23059	(804) 993-0117
Limoges	Lisa	6408 Trading Square	Haymarket	Virginia	20169	(703) 291-4998
McBride Rob	McBride Sara	11873 West Broad Street	Henrico	Virginia	23233	(804) 360-0005
Quansah Kofi	McKenzie Michael	9902 Liberia Avenue	Manassas	Virginia	20110	(703) 996-4060
Elsbury	Andrew	12625 Stone Village Way	Midlothian	Virginia	23113	(804) 245-8181
Danver	Eric	11160 South Lakes	Reston	Virginia	20191	(703) 860-3660

		Drave				
Elsbury	Andrew	10 N Nansemond Street	Richmond	Virginia	23221	(804) 227-9427
McBride Rob	McBride Sara	1515 N. Parham Road	Richmond	Virginia	23229	(804) 256-2248
Danver	Eric	2674 Avenir Pl.	Vienna	Virginia	22180	(571) 303-1997
Elsbury	Andrew	1909 Landstown Centre Way	Virginia Beach	Virginia	23456	(757) 866-2870
Limoges	Lisa	239 Kernstown Commons Blvd	Winchester	Virginia	22602	(540) 508-0536

**WASHINGTON**

Walsh Ronan	Walsh Gillian	15600 NE 8th Street	Bellevue	Washington	98008	(425) 329-7712
Byrne	Kevin	444 Ramsay Way	Kent	Washington	98032	(253) 813-8011
Williams Margery Williams	Chad Dean Julia	11620 97th Lane Avenue	Kirkland	Washington	98034	(425) 296-2105
Guillermo Ortega	Monica Rivas	1380 Galaxy Drive NE	Lacey	Washington	98516	(360) 438-3735
Williams Dennis	Williams Patti	1018 164th Street SE	Mill Creek	Washington	98012	(425) 366-7462
Guillermo Ortega	Monica Rivas	10418 156th Street E.	Puyallup	Washington	98374	(253) 770-4840
Walsh Ronan	Walsh Gillian	7525 166th Avenue NE	Redmond	Washington	98052	(425) 650-0405
Guillermo Ortega	Monica Rivas	17100 Southcenter Parkway	Tukwila	Washington	98188	(206) 575-0700
Byrne	Kevin	3904 Bridgeport Way West	University Place	Washington	98467	(253) 444-6995
Nebels	Andrew	7604 NE 5th Ave	Vancouver	Washington	98665	(360) 696-9449
Nebels Andrew	Nebels Julie	3415 SE 192nd Avenue	Vancouver	Washington	98683	(360) 203-7900

**WISCONSIN**

Green Bobby	Barocio-Green Sylvia	8849 W. Sura Lane	Greenfield	Wisconsin	53228	(414) 376-6656
Knight	Knight	6733 Odana Road	Madison	Wisconsin	53719	(608) 665-1400

Jason	Jenny					
Laskosky Michael	Laskosky Paulina	N56 W15560 Silver Springs Dr	Menomonee Falls	Wisconsin	53051	(262) 781-1855
Kummer Jim	Kummer Cindy	1166 W. Sunset Dr.	Waukesha	Wisconsin	53189	(262) 746-2190

\*This unit is owned by our subsidiary HS Hamilton Spa LLC.

\*\*This unit is owned by our subsidiary H&S Spa Management LLC

The following units are not yet open as of 12/31/2022:

Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Patel	Ayesha	Huntsville	Alabama	35802	(256) 652-4888	AL	1
Prideaux	Robin	Fresno	California	93723	(559) 260-3416	CA	1
Hastings	Susan & Aaron	Thornton	Colorado	80602	(303) 249-5000	CO	1
Patel	Himanshu	Aventura	Florida	33180	(786) 812-4614	FL	1
Walker Arlene	Markland Brenda	Orlando Altamonte Springs	Florida	32825 32714	(770) 330-9165 (770) 330-2961	FL	1
Gallarelli Mark	Gallarelli Valerie	Winter Garden	Florida	34787	(561) 281-3309	FL	1
O'Neill	Nicholas	Apopka	Florida	32703	(407) 346-5525	FL	1
Marazzi Kelli	Marazzi William	Jupiter	Florida	33458	(561) 510-5671 (561) 510-5672	FL	1
Harrison Steven	Harrison Teri	Winter Garden	Florida	34787	(407) 427-1639	FL	1
Kagan Oleg	Gironda Valerie	Fort Myers	Florida	33913	(763) 439-0231 (813) 420-6453	FL	1
Egan Jr. James Singh	Jasjot Paul Singh Sunitee	Fort Lauderdale Davie Davie	Florida	33305 33330 33330	(704) 807-1102 (423) 963-9523 (423) 963-9523	FL	2
Welzer	Sandra	Lighthouse Point	Florida	33064	(954) 805-5073	FL	1
Christy	William	St. Charles	Illinois	60175	(630) 370-0006	IL	1
Haston Tyler	Haston Kassie	Whitestown	Indiana	46075	(317) 750-5046	IN	1
Sanchez Heather	Sanchez Richard	Noblesville	Indiana	46060	(414) 687-8009	IN	2
Goldman Barry	Goldman David	Boynton Beach Holliston	Florida Massachusetts	33473 01746	(201) 390-2900 (914) 907-2200	MA	2
Grant Chanel Williamson	Lauren Evans Toya	Miami Chesterfield Upper Marlboro	Florida Virginia Maryland	33156 23280 20774	(703) 981-8763	MD	1
Vanukuru Sharmila	Vanukuru Suresh	Raleigh	North Carolina	27614	(919) 649-4193	MD	1
Cook Lynelle	Cook James	Byron Center	Michigan	49315	(216) 470-6450	MI	1
Bansal	Sumit	Troy	Michigan	48083	(248) 506-1648	MI	2

Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Meyers	Cathy	Chanhassen	Minnesota	55344	(952) 496-3448	MN	1
Jewell Chris	Jewell Susan	Matthews	North Carolina	28105	(980) 226-3315	NC	1
Anthony Eric	Luce Rob	Greensboro	North Carolina	27405	(336) 210-0118	NC	1
Rosende Jorge	Rosende Lynn	Chapel Hill	North Carolina	27517	(919) 753-7090	NC	2
Marco Nick	Bogota Tara	Toms River	New Jersey	08753	(732) 232-3768 (732) 349-9700	NJ	1
Scheff	Bryan	Allentown	New Jersey	08501	(732) 682-4902	NJ	2
Huggins	Derrick	Nanuet	New York	10954	(914) 912-1352	NJ	1
Crowther Wayne	Martini Jason	Avalon Norristown	New Jersey Penns- ylvania	08202 19401	(610) 368-9492 (484) 535-1346	NV	2
Zozzaro Guarino Judy	Swiech Laurie	Bellmore Morris Plains	New York New Jersey	11710 07950	(917) 656-3982	NY	1
Stephanos	George	Jericho	New York	11753	(917) 774-3706	NY	1
O'Connell	Joe	Charlotte	North Carolina	28277	(704) 582-9916	NC/SC	2
Smith	Richard	Delaware	Ohio	43015	(614) 572-9174	OH	2
Grove	Austin	Cincinnati	Ohio	45208	(859) 912-2407	OH	1
Crandall	David	Medina	Ohio	44256	(216) 233-0553	OH	1
Collett	Scott	West Chester	Ohio	45069	(513) 470-6517	OH	1
Burch	David	New Albany	Ohio	43054	(614) 702-8829	OH	2
Erace	Joseph	Mullica Hill	New Jersey	08062	(856) 264-3005	PA	2
Beggs	John	Nanticoke	Penna.	18634	(570) 855-4959	PA	1
Gokhale	Medha	Sewickley	Penna.	15143	(860) 834-0089	PA	1
Reisinger Mark	Foster Chad	Waxhaw Matthews	North Carolina	28173 28104	(704) 438-6584 (704) 651-5118	SC	3
O'connell	Joe	Charlotte	North Carolina	28277	(704) 582-9916	SC	1
Khurana Sandeep	Khurana Shilpa	Irving	Texas	75063	(630) 310-0201	TX	1
Berry Allison	Berry Cameron	Kingwood	Texas	77339	(713) 824-9708	TX	1

Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Wallace Jim	Wallace Melodie	San Antonio	Texas	78260	(310) 405-2745	TX	1
Wibner Elizabeth	Wibner Chris	Katy	Texas	77494	(713) 247-9687	TX	1
Elsbury	Andrew	Richmond	Virginia	23244	(312) 806-3275	VA	2
Tara	McLain	Longwood	Florida	32779	(407) 389-1644	FL/GA	2
Brendan	Burke	Draper	Utah	84020	(801) 915-3774	UT	1
John	Goldasich	Birmingham	Alabama	35213	(205) 563-6915	AL	2
Beena	Thattil	Cave Creek	Arizona	85331		AZ	1
Kyle	Ramstetter	Castle Rock	Colorado	80104	(303) 946-3211	CO	2
Richard Vincik	Susan Vincik	Sanford	Florida	32771	(386) 490-6400	FL	1
Jorge Rosende	Lynn Rosende	Chapel Hill	North Carolina	27517	(919) 434-1228	NC	1
Kelli Marazzi	William Marazzi	Jupiter	Florida	33478	(561) 510-5671	FL	1
Jennifer Clayton	Jesse Sadowy	Peoria	Arizona	85383	(623) 243-6225	IN	2
Nick	Marco	Toms River	New Jersey	08753	(732) 232-3768	OH	4
Eric	Danver	Medford	New Jersey	08055	(609) 760-2831	MD	4
Jarom	Bettinger	Midvale	Utah	84047	(817) 312-9906	UT	2
Shannon Schoettler	Jill Widness Jeff Widness	Duluth	Minnesota	55811	(651) 492-2727	MN	1
John	Beggs	Nanticoke	Pennsylvania	18634	(570) 855-4959	PA	1
Jill Johnson	Adam Johnson	Sarahland	Alabama	36571	(904) 591-4076	AL/FL	2
Bijal Patel	Minal Patel	Annapolis	Maryland	21401	(443) 822-1183	MD	1
Lazaro	Salguero	Spring	Texas	77386	(713) 530-3385	TX	1
Andy Mellen	Kirk Sorenson	Windermere	Florida	34786	(407) 970-2526	FL	1
David	Mottahedeh	West Hempstead	New York	11552	(516) 724-3428	OH	1
Kaleb Warnock	Patricia Warnock	El Paso	Texas	79924	(915) 630-0525	TX	3
Krista	Neal	Thornville	Ohio	43076	(614) 580-9881	OH	1



Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Suresh Vanukuru	Sharmila Vanukuru	Raleigh	North Carolina	27614	(919) 649-4193	NC/MD	2
Alejandro Quinonez	Kathleen Quinonez	Prosper	Texas	75078	(214) 315-4386	TX	1
Jay Styles	Lorine Grosso	Colorado Springs	Colorado	80906	(334) 294-7704	CO	1
Bobby Green	Sylvia Green	Milwaukee	Wisconsin	53214	(630) 518-0753	WI	1
Don Williams	Jeff Sweeney	Winter Springs	Florida	32708	(321) 231-6083	TN	3
Daniel	Hook	Fuquay Varina	North Carolina	27526	(301) 712-6640	NC	1
Mark Gallarelli	Valerie Gallarelli	Winter Garden	Florida	34787	(561) 281-3309	FL	1
David	Burch	New Albany	Ohio	43054	(614) 702-8829	OH	1
Sumit Bansal	Monica Bansal	Troy	Michigan	48063	(248) 506-1648	MI	1
Ronald Urton	Stephanie Urton	Villages	FL	32163	(352) 775-1772	FL	1
Llorens Josep	Wang Cindy	Andover	Massachusetts	01810	(978) 609-3000	MA	1
Puli Archana Kamavarapu Manoj Cheekati Vidyasagar	Busi Sri Kasireddy Vijaya Kamavarapu Thanooj	McDonald Groton	Pennsylvania Massachusetts	15057 01450	(412) 765-9057 (412) 765-9056 (412) 551-6732 (608) 616-9935 (412) 613-6669 (608) 515-8268	MA/PA	2
Grant Chanel Williamson	Lauren Evans Toya	Miami Chesterfield Upper Marlboro	Florida Virginia Maryland	33156 23280 20774	(703) 981-8763	MD	1
Vanukuru Sharmila	Vanukuru Suresh	Raleigh	North Carolina	27614	(919) 649-4193	MD	1
Cook Lynelle	Cook James	Byron Center	Michigan	49315	(216) 470-6450	MI	1
Bansal	Sumit	Troy	Michigan	48083	(248) 506-1648	MI	2
Flowers Clif	Flowers Tracy	Ann Arbor	Michigan	48103	(973) 518-2047	MI	1
Meyers	Cathy	Chanhassen	Minnesota	55344	(952) 496-3448	MN	1
Jewell Chris	Jewell Susan	Matthews	North Carolina	28105	(980) 226-3315	NC	1

Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Anthony Eric	Luce Rob	Greensboro	North Carolina	27405	(336) 210-0118	NC	1
Rosende Jorge	Rosende Lynn	Chapel Hill	North Carolina	27517	(919) 753-7090	NC	2
Marco Nick	Bogota Tara	Toms River	New Jersey	08753	(732) 232-3768 (732) 349-9700	NJ	1
Scheff	Bryan	Allentown	New Jersey	08501	(732) 682-4902	NJ	2
Paige	Dorothy	Brick	New Jersey	08724	(973) 665-4038	NJ	1
Huggins	Derrick	Nanuet	New York	10954	(914) 912-1352	NJ	1
Crowther Wayne	Martini Jason	Avalon Norristown	New Jersey Pennsylvania	08202 19401	(610) 368-9492 (484) 535-1346	NV	2
Zozzaro Guarino Judy	Swiech Laurie	Bellmore Morris Plains	New York New Jersey	11710 07950	(917) 656-3982	NY	1
Brick Jill	Furie Gina	Staten Island Marlboro	New York New Jersey	10312 07746	(917) 254-5570 (732) 673-5908	NY	1
Stephanos	George	Jericho	New York	11753	(917) 774-3706	NY	1
Perez	Kathryn & Carlos	Stone Ridge	New York	12484	(914) 388-7595	NY	1
O'Connell	Joe	Charlotte	North Carolina	28277	(704) 582-9916	NC/SC	2
Smith	Richard	Delaware	Ohio	43015	(614) 572-9174	OH	2
Grove	Austin	Cincinnati	Ohio	45208	(859) 912-2407	OH	1
Crandall	David	Medina	Ohio	44256	(216) 233-0553	OH	1
Collett	Scott	West Chester	Ohio	45069	(513) 470-6517	OH	1
Burch	David	New Albany	Ohio	43054	(614) 702-8829	OH	2
Erace	Joseph	Mullica Hill	New Jersey	08062	(856) 264-3005	PA	2
Beggs	John	Nanticoke	Penna.	18634	(570) 855-4959	PA	1
Gokhale	Medha	Sewickley	Penna.	15143	(860) 834-0089	PA	1
Reisinger Mark	Foster Chad	Waxhaw Matthews	North Carolina	28173 28104	(704) 438-6584 (704) 651-5118	SC	3
O'connell	Joe	Charlotte	North Carolina	28277	(704) 582-9916	SC	1
Khurana Sandeep	Khurana Shilpa	Irving	Texas	75063	(630) 310-0201	TX	1
Berry Allison	Berry Cameron	Kingwood	Texas	77339	(713) 824-9708	TX	1
Wallace Jim	Wallace Melodie	San Antonio	Texas	78260	(310) 405-2745	TX	1
Wibner Elizabeth	Wibner Chris	Katy	Texas	77494	(713) 247-9687	TX	1

Last Name	First Name	Home City	Home State / Province	Home Zip / Postal Code	Phone	Opening State	# of Units
Eddy Joni	Dinwoodie Frances	Fort Worth	Texas	76116	(469) 831-4966	TX	1
Rosenberger Karen	Rosenberger Ronald	Williamsburg	Virginia	23185	(610) 751-9950	VA	1
Mann Kelly	Mann Brad	Forest	Virginia	24551	(434) 944-2371 (434) 546-1533	VA	1
Elsbury	Andrew	Richmond	Virginia	23244	(312) 806-3275	VA	1
Kline Brian	Kline Veronica	Vancouver	Washington	98686	(360) 635-3496	WA/OR	2

**EXHIBIT F TO THE DISCLOSURE DOCUMENT**  
**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**Left the System in 2022**

Name	Name	City	State / Province	Phone	Reason
Sandra	Welzer	Miami	Florida	(954) 805-5073	Terminated – Unopened Unit
Kyle	Ramstetter	Loveland	Colorado	(303) 946-3211	Terminated – Unopened Unit
Mark Dawson	Carrie Martinez	Chandler	Arizona	602-489-3903	Transferred – 2 units
Matthew	Gill	Castle Rock	Colorado	308-440-9810	Transferred – 1 unit
Wendy Gensler	Mike Gensler	Parker	Colorado	720-378-3674	Transferred – 1 Unit
Katherine Chenier	Louis Chenier	Boca Raton	Florida	561-419-1117	Transferred – 2 Unit
Eileen Reilly	Patrick Reilly	Destin	Florida	732-740-6390	Transferred – 2 Units
Wendy Mendes	Rick Griffiths	Kendall	Florida	786-236-5181	Transferred – 2 units
Jana Richey	Jim Richey	Orlando	Florida	321-438-9550	Transferred – 2 Units
Robert	Caulk	South Naples	Florida	314-378-0690	Transferred – 1 unit
Lee	Fields	Atlanta	Georgia	678-763-1974	Transferred – 1 Unit
Michele Neese	Steve Neese	Atlanta	Georgia	(850) 420-0843	Transferred -1 unit
Hoalong Lee	Leslie Lee	Northbrook	Illinois	847-682-6977	Transferred – 1 unit
Michael	Newport	Raleigh	North Carolina	919- 227- 9613	Transferred – 1 Unit
Joseph Ruggeri	Lisa Ruggeri	East Brunswick	New Jersey	(732) 605-1354	Transferred – 1 Unit
Gregg Taylor	Denise Taylor	Lacey Township	New Jersey	732-409-7427	Transferred – 2 Units
Pinkesh Patel	Harsh Metha	Wayne	New Jersey	(973) 925-7722	Transferred – 1 Unit
Paul	Mahler	Levittown	New York	631-838-6065	Transferred – 1 Unit
Dawn Palumbo	Paul Palumbo	New City	New York	201-248-9515	Transferred – 1 Unit
Jill Brick	Gina Furie	Staten Island	New York	(917) 254-5570	Transferred – 1 Unit
Pamela	Dittoe	Beachwood	Ohio	216-317-1053	Transferred – 1 Unit
John Krafty	Clayton Cox	Allentown	Pennsylvania	610-554-0650	Transferred – 2 Units
Bonnie	Horwith	Center Valley	Pennsylvania	484-201-0412	Transferred – 2 Units
Jack Mullen	Sandra Mullen	Brentwood	Tennessee	920-370-2228	Transferred – 3 Units
Rafael	Marquez	San Felipe	Texas	612-597-9204	Transferred – 2 Units

Name	Name	City	State / Province	Phone	Reason
Gillian Walsh	Ronan Walsh	Bellevue	Washington	425-281-3440	Transferred – 2 Units
Paulina Laskosky	Michael Laskosky	Menomonee Falls	Wisconsin	262-510-3911	Transferred – 1 Unit
Michael Kulberg	Lauren Kulberg	Boca Raton	Florida	561-419-1117	Closure – 1 Unit
Jenny Knight	Jason Knight	Madison	Wisconsin	(917) 440-3512	Closure – 1 Unit
Piaa	Thacker	Peachtree Corners	Georgia	(941) 400-6856	Closure – 1 Unit
Jim Kummer	Cindy Kummer	Waukesha	Wisconsin	(262) 370-0725	Closure – 1 Unit
Christina Ferrer	Donna Douty	Fullerton	California	(714) 553-1179	Closure – 1 Unit
John DeVore	Rebecca DeVore	Kirkland	Washington	(425) 296-2105	Closure – 1 Unit

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

**EXHIBIT G TO THE DISCLOSURE DOCUMENT**  
**LIST OF REGIONAL DEVELOPERS**

John Marco, Nick Marco and Tara Bogota

John Marco is a physical therapist who founded Hand and Stone in 2004 and serve as the Company's COO from April 2004 until April 2015 when he left and purchased the regional development rights for Ohio with his children Nick and Tara. Nick Marco has worked at the Hand and Stone in Toms River for over five years in various management positions. Tara Bogota has been the manager at the Hand and Stone in Toms River for the past seven years and has also served as a corporate trainer for Hand and Stone.

List of Area Developers

Robert Beers

Rob Beers has over 10 years of franchise experience as a franchisee of Field of Dreams franchise, which established in 1997 in Orlando's high-end Florida Mall. Rob also serves as a director for a multi-million dollar residential and commercial real estate developer in the greater Washington DC area. As a leader on the board of directors for The Miller Companies, Rob heads numerous initiatives to ensure accountability at both the board and management levels and to maximize profitability. He has chaired a number of committees, such as Advisory to Management, Owners Agreement and Governance and Nominating. Robert Beers served as a Regional Developer for Hand and Stone from May 1, 2007, until March 8, 2022. Robert Beers Designated Market Areas include Mississippi, Louisiana, and New Mexico.

Don Williams

Before Hand and Stone, Don Williams was Partner in a hybrid travel agency that specialized in providing marketing and tours to the timeshare industry. In 2009, Don signed onto our brand and grew to six spas in South Florida over the next decade. In 2021, he sold his Florida spas to our corporate team to enter his next phase with Hand & Stone. In early 2022, Don became the Regional Developer of Tennessee, in an effort to expand the brand's footprint in the state, in addition to purchasing three units in the Knoxville, TN area.

**ITEM 3**  
**LITIGATION**

No litigation regarding our Regional Developers is required to be disclosed in this Franchise Disclosure Document.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy information regarding our Regional Developers is required to be disclosed in this Franchise Disclosure Document.

We are no longer offering a Regional Developer program. The following franchisees serve as Regional Developers under existing agreements with us:

<b>LIST OF REGIONAL DEVELOPERS</b>
<b>OHIO</b>
John Marco, Nick Marco and Tara Bogota 1358 Hooper Ave, Toms River, NJ 08753 (732) 963-1398

<b>LIST OF AREA DEVELOPERS</b>
<b>FLORIDA, MISSISSIPPI, LOUISIANA, AND NEW MEXICO</b>
Robert Beers 767 Near Creek Circle Winter Springs, Florida 32708 407-343-0035
<b>TENNESSEE</b>
Don Williams 1170 Tree Swallow Drive #328 Winter Springs FL 32708 352-978-7820

**EXHIBIT H TO THE DISCLOSURE DOCUMENT**  
**LIST OF REGIONAL DEVELOPERS WHO HAVE LEFT THE SYSTEM IN 2022**

None.

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



**EXHIBIT I TO THE DISCLOSURE DOCUMENT**  
**STATE SPECIFIC ADDENDA**

**ADDENDUM TO HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA**

**CALIFORNIA APPENDIX**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreement. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Philadelphia, Pennsylvania with the costs being borne by the franchisee and franchisor. 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.
7. The Franchise Agreement requires application of the laws of Pennsylvania. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation 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).
9. We have secured a surety bond in the amount of \$158,000.00 from the Fidelity and Deposit Company of Maryland to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the California Department of Financial Protection and Innovation.
10. 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.
11. OUR WEBSITE, [www.handandstone.com](http://www.handandstone.com), 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).

12. **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.**
13. Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.
14. **No disclaimer, questionnaire, clause, or statement signed by a 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. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**
15. The highest interest rate allowed by law for Late Payments in the State of California is 10% annually.
16. 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.
17. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

1. The following item is required to be included within the Disclosure Document and shall be deemed to supersede the language that is in the Disclosure Document itself:

Section 4 of the Illinois Franchise Disclosure Act (“Act”) dictates that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

2. Section 23.1 of the Franchise Agreement and Item 23 of the Disclosure Document are hereby amended to reflect Illinois minimum disclosure period of 14 calendar days as required by Section 5(2) of the Act.

3. Section 22.1 provides that the law of Pennsylvania shall govern. However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern.

4. Any releases that the Franchisor requests the Franchisee to sign must conform with Section 41 of the Act.

5. The Franchise Agreement provides that the law of a forum outside of Illinois applies. However, the foregoing choice of law clause should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern. Accordingly, Items 17(v) and (w) are amended accordingly.

6. Section 22.6 of the Franchise Agreement is hereby amended in accordance with Section “1” above.

7. Section 22.3 of the Franchise Agreement is amended to comply with Section 27 of the Act to allow any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisor and Franchisee or Franchisee’s operation of the Franchise brought by Franchisee against Franchisor shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, within one (1) year after the Franchisee becomes aware of the facts or circumstances indicating Franchisee may have a claim for relief, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever expires first, or such claim or action will be barred.

8. The Franchise Agreement is hereby amended to comply with Section 41, Waivers, of the Act.

9. The Franchise Agreement is amended to state the following: “No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the

franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

10. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF INDIANA**

1. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.
2. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
3. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Section 22.6 of the Franchise Agreement.
4. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.
5. The Franchise Agreement is amended to state the following: "No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."
6. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Maryland for Hand and Stone's Franchise Disclosure Document and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. Item 5 of the Franchise Disclosure Document is hereby supplemented with the following:

Based on our financial statements, the Maryland Securities Commissioner requires that we post a surety bond. We have secured a surety bond in the amount of \$79,000.00 from the Selective Insurance Company of America to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Maryland Securities Division.

2. Item 11 of the Franchise Disclosure Document shall be amended to state that a franchisee may obtain an accounting of the advertising fund by requesting same in a written request to Franchisor.

3. Item 17 of the Franchise Disclosure Document shall be amended to state any general release signed as a condition to renewal, sale, assignment, or transfer of these agreements shall not release Franchisor from any liability imposed by the Maryland Franchise Registration and Disclosure Law.

4. The Franchisee Disclosure Acknowledgment Statement, which is Exhibit K to the Franchise Disclosure Document, is amended to state that all representations requiring prospective franchisees to assent to a release, or waiver of liability 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.

5. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Item 17 of the Franchise Disclosure Document is hereby amended to provide that you may file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction within the State of Maryland.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Maryland for Hand and Stone's Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

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

2. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This amends Articles 4 and 18 of the Franchise Agreement.

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

4. Section 3.1 of the Franchise Agreement is amended to provide:

Based on Franchisor's financial statements, the Maryland Securities Commissioner requires that we post a surety bond. We have secured a surety bond in the amount of \$79,000.00 from the Selective Insurance Company of America to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Maryland Securities Division.

5. Section 22.3 of the Franchise Agreement is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Section 21.5 of the Franchise Agreement is amended to clarify that nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

7. The Franchise Agreement is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability 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.

8. The Franchise Agreement is amended to state the following: "No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

9. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.



ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MICHIGAN**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
Lansing, MI 48933

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
FOR THE STATE OF MINNESOTA**

This addendum to the Disclosure Document is agreed to this \_\_\_ day of \_\_\_\_\_, 20\_\_, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Section 22.1 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document and Section 16.1 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Stat. Sec. 80c.14, Subd.3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Disclosure Document.”

3. Item 17 of the Disclosure Document and Section 22.6 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Stat. Sec. 80C.21 and Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.”

4. Item 17 of the Disclosure Document and Section 4.2 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. Section 22.5 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

6. Section 22.3 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

7. The Franchise Agreement is amended to state the following: “No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

8. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Witness

FRANCHISEE:

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT  
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

1. All references made herein to an “Disclosure Document” shall be replaced with the term “Offering Prospectus” as used under New York Law.

2. The Disclosure Document Cover Page is amended as follows:

- **REGISTRATION OF THIS FRANCHISE BY New York STATE DOES NOT MEAN THAT THE 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 NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**
- **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. 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 PROSPECTUS.**

3. ITEM 3 is amended by the addition of the following language:

- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them 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. In addition, neither franchisor nor any person identified in ITEM 2 has any 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.
- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 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 held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.

4. ITEM 4 is amended to state that:

- Except as otherwise disclosed in Item 4, neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

5. ITEM 5 of the Disclosure Document is amended to add the following:

- The Franchise Fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the Franchised Business for business.

6. ITEMS 6 and 11 of the Disclosure Document are amended to add the following:

- The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products which were required by franchisor, if such procedures or products were utilized by franchisee in the manner required by franchisor.

7. ITEM 17 of the Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.
- ITEM 17(d) is amended to provide that you may terminate the Agreement on any grounds available by law.

- ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of Franchisor, is able to assume our obligations under the Agreement.
- ITEM 17(w) is amended to state that New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Section 680-695.

8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_



**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

In recognition of the requirements of Article 33 of the General Business Law of the State of New York, the parties to the Hand and Stone Franchise LLC Franchise Agreement agree as follows:

1. Section 22.1 of the Franchise Agreement will be supplemented by adding the following language at the end of the Section:

provided, however, that all rights enjoyed by Franchisee and any causes of action arising in franchisee's 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 provision that the nonwaiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied;
2. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the General Business Law of the State of New York, Sections 680-695, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.
3. The Franchise Agreement is amended to state the following: "No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."
4. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment to the Franchise Agreement and Multi-Unit Agreement in duplicate on the date indicated below.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF RHODE ISLAND**

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

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 of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT AND REQUIRED FOR THE  
COMMONWEALTH OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hand and Stone Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 12.

Pursuant to 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.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hand and Stone Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Pursuant to 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.

3. The Franchise Agreement is amended to state the following: "No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

4. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

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**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT AS REQUIRED BY THE STATE  
OF WASHINGTON**

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 or 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. The undersigned does hereby acknowledge receipt of this addendum.

Item 3 – To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance (“AOD”) with the State of Washington dated October 7, 2019, where we affirmed that we already removed from our form franchise agreement any provision which restricted a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violated Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to not include any such provisions in future franchise agreements, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

Item 5

We have secured a surety bond in the amount of \$42,000.00 from the Fidelity and Deposit Company of Maryland to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Washington Department of Financial Institutions.

The Franchise Agreement is amended to state the following: “No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”

Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

The undersigned does hereby acknowledge receipt of this addendum.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

\_\_\_\_\_  
Witness

\_\_\_\_\_

**AMENDMENT TO HAND AND STONE FRANCHISE LLC  
FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF WISCONSIN**

This Amendment shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Franchise Agreement to be contrary, the Agreements shall be amended as follows:

1. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and franchisee inconsistent with the Law.
  
2. The Franchise Agreement is amended to state the following: “No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.”
  
3. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

ATTEST

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_  
Witness

\_\_\_\_\_

**ADDENDUM TO HAND AND STONE FRANCHISE LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WISCONSIN**

For franchises and franchisees/developers subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Hand and Stone Franchise LLC Wisconsin Franchise Disclosure Document.

**Item 17.**

For Wisconsin franchisee/developers, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and franchisee inconsistent with the Law.



**EXHIBIT J TO THE DISCLOSURE DOCUMENT**  
**SOFTWARE SUBLICENSE AGREEMENT**

## SUBLICENSE AGREEMENT

### [TO BE REVIEWED BY LICENSEE; MATERIAL REVISIONS SUBJECT TO LICENSOR'S APPROVAL]

This Sublicense Agreement (“Agreement” or “License”), dated \_\_, 20\_\_, is made by and between Hand and Stone Franchise LLC, a New Jersey limited liability company (“Sublicensor”), and \_\_\_\_\_ (“Sublicensee”).

#### RECITALS

A. Sublicensor is the franchisor of the Hand and Stone Franchise LLC massage and facial spa franchises. Sublicensor has licensed (with a right to sub-license) certain software for use in the operation of Hand and Stone Franchise LLC franchisees (the “Software”), which license is granted by the owner of the Software (the “Master Licensor”) upon the terms and condition set forth in the agreement between the Master Licensor and Sublicensor; and

B. Sublicensee has entered into a franchise agreement to operate a spa franchise (the “Franchise Agreement”); and

C. The Software is required for the operation of a spa franchise; and

D. Pursuant to the Franchise Agreement, Sublicensee is required to execute this Agreement and obtain a license to use the Software; and

E. Sublicensor wishes to grant certain rights and licenses to Sublicensee with respect to the Software, and Sublicensee wishes to obtain such rights and licenses with respect to the Software, on the terms and conditions set forth herein.

#### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Services. Sublicensor hereby grants Sublicensee a non-exclusive, non-transferable, revocable, non-sublicenseable license to use the Software exclusively for the internal operations of a spa franchise and for no other purpose. Sublicensor shall provide all documentation for the operation of the Software.

2. Term. Unless sooner terminated, the term of this Agreement and of the sublicense granted herein will begin on the Effective Date and continue until the expiration or termination of the Franchise Agreement (“Term”). If Sublicensee enters into a successor franchise agreement with Sublicensor, then Sublicensee must execute the then current form of sublicense agreement and comply with all terms and conditions set forth in the then current form of sublicense agreement. The Sublicensee acknowledges that the terms and conditions of the then current form of sublicense agreement may be substantially different from the terms and conditions of this

Agreement including without limitation, with respect to fees.

3. Technical Requirements. Sublicensee agrees to comply with the applicable hardware, software and other technical and pre-setup requirements for Sublicensee's use of the Software as the Sublicensor or its licensor may establish from time to time during the Term.

4. Software Support.

(a) Sublicensor shall provide technical support for the Software during normal business hours Monday through Friday. If additional support is needed during non-business hours, Sublicensor may provide such support at an additional fee to Licensee, availability permitting. Sublicensor may contract with third parties to provide any or all maintenance and support services specified in this Agreement. If, in Sublicensor's judgment it is not commercially feasible to provide any maintenance or support services, Sublicensor may terminate any or all of such support or maintenance services.

(b) Certain locations may be susceptible to power outages and/or fluctuations that can cause a computer to crash or shut down. Sublicensee is responsible for the installation and maintenance battery backups systems and data backup. Sublicensor is not responsible for any such losses of data, nor does Sublicensor assume responsibility or liability for any losses or damages arising, directly, or indirectly, from Sublicensee's improper use or maintenance of the Software or hardware.

(c) Sublicensee is responsible for installing and maintaining updated anti-virus software at all times on any hardware that runs the Software.

5. Payment.

(a) It is the express understanding of the parties that the Sublicensor shall sublicense the software to its franchisees. In consideration for the Sublicense and the services to be performed hereunder, Sublicensee shall pay Sublicensor a monthly fee of \$587.00 dollars (the "Monthly Maintenance Fee") for each franchise location Sublicensee owns or operates. This Monthly Maintenance Fee may increase by a minimum of 3% percent on the first day of each calendar year thereafter, for each franchise location Sublicensee owns or operates, throughout the term of this Agreement.

(b) All applicable fees are to be paid to Sublicensor via an ACH bank transfer, due on the 1<sup>st</sup> day of each month or by the morning of the next business day. Any fees not received will be assessed a late fee penalty of 1.5% per month or, if lower, the highest rate permitted under applicable law, until said fees are paid in full.

(c) The Sublicensee will not, on grounds of the alleged nonperformance by Sublicensor of any of its obligations or for any other reason, withhold payment of any Software License Fees or payments due to Sublicensor pursuant to this Agreement or pursuant to any other contract, agreement or obligation. The Sublicensee will not have the right to "offset" any liquidated or unliquidated amounts, damages or other sums allegedly due to the Sublicensee by Sublicensor against any payments due to Sublicensor under this Agreement.

(d) If Sublicensor authorizes a sale of Sublicensee's franchise to a third party ("Transferee") Sublicensee must notify the Transferee that it will be obligated to enter into a new sublicense agreement with Sublicensor, and that a license transfer fee of \$300 dollars will be required to be paid to Sublicensor.

(e) For purposes of this Agreement, software setup fees and Monthly Maintenance Fees will be collectively referred to as "Software License Fees." The Sublicensee acknowledges that it has agreed, pursuant to the Franchise Agreement, to obtain and maintain at all times such computer equipment and software (including without limitation, the most current version of the Software) as may from time to time be required by Sublicensor for use in the operation of the Licensee's franchise. The Sublicensee further acknowledge that future changes in technology and the opportunity and need to meet and surpass competition may necessitate that Sublicensor upgrade the Software License Fees due hereunder to amounts reasonably sufficient to cover the costs such upgrade and a reasonable return to Sublicensor on its investment in and administration of such upgrade. The Sublicensee further acknowledges that any upgrade to the Software may necessitate upgrades in the Sublicensee's hardware and third-party software required to operate the Software, which may result in additional costs or fees payable by the Sublicensee.

6. Access to Software and Information. The Sublicensee agrees that Sublicensor will at all times have the right to access the Software and its data, by modem, print-out of data or any other means selected by Sublicensor, for purposes of obtaining financial, sales, customer, listing, business, supplier, teaching and all other data and information contained, resident or otherwise available in the Sublicensee's computer system, for purposes of verifying compliance by the Sublicensee with the terms of this Agreement or the Franchise Agreement, and for such other purposes as may be determined by Sublicensor, in its absolute, exclusive and unrestricted judgment. Sublicensor will have the right to retain and use any information obtained by accessing the Software licensed to Sublicensee for any purposes deemed appropriate by Sublicensor, in its absolute, exclusive and unrestricted judgment.

7. Sublicensee Training. Sublicensor shall conduct training session pursuant to the guidelines set forth in the Franchise Agreement. In addition, Sublicensee shall attend mandatory ongoing training sessions, at times and at such locations as Sublicensor shall establish.

8. Ownership. Sublicensee acknowledges that Sublicensor has the sole right to license and control Sublicensee's use of the Software. Sublicensee acknowledges that it has no ownership right into any data or information generated by the Software, including customer lists, customer data and other sales information. Sublicensee further acknowledges that it does not acquire any right, title or interest in the Software except as set forth herein. Master Licensor specifically retains all right, title and interest in and to all proprietary and intellectual property rights in and to the Software, including without limitation, trade secrets, data, customer lists, copyrights, trademarks, patents, functionality and business methodology embodied therein, and the like. All rights not expressly granted to Sublicensee herein are specifically reserved to Sublicensor and Master Licensor, as applicable. Upon termination of this Agreement, Sublicensee shall have no right to utilize the Software or any data generated by the Software.

9. Restrictions on Use.

(a) Sublicensee may not decompile, reverse compile, reverse engineer, reverse assemble or otherwise derive a source code equivalent for the Software. Sublicensee may not bypass or breach any security device or protection used on the Software. In addition, Sublicensee may not copy the Software without the Licensor's written consent. Sublicensee may not download any portion of the Software except as the Sublicensor may expressly permit or instruct. Sublicensee may not permit any third-party access to the Software, and may use the Software only on computers for which Sublicensee controls access to the Software. Sublicensee may not assign, transfer, sell, rent, license, sublicense, or grant any rights to or interests in the Software to any corporation, partnership or other business entity or any other person. Sublicensee may not, at any time, use or exploit or authorize any third party to use or exploit, any of the Software's content or data for the purpose of unfairly competing against any other Hand and Stone Franchisee or violating the privacy rights of any customers or employees of other franchisees. Sublicensee may not knowingly or through gross negligence input, upload, transmit or otherwise provide to or through the Software, any virus, worm, malware, spyware or other malicious computer code, computer instruction, device or technique that can or was designed to permit unauthorized access to, or to destroy, disrupt, disable, damage, distort, or otherwise harm or impede the Software or any computer, hardware, system or network, or any content or data. Sublicensee will comply with all terms and conditions packaged or accompanying any third-party software furnished to Licensee under this Agreement.

(b) Sublicensee is prohibited from printing or copying (including, without limitation, for back-up, training, testing or disaster recovery), in whole or in part, the Software except to the extent expressly permitted in advance in writing by Sublicensor, which permission Sublicensor may withhold in its sole discretion. Any back-up training, testing or disaster recovery system intended to be or used by Sublicensee must be approved in advance in writing by Sublicensor, which approval Sublicensor may withhold in its sole discretion. Sublicensee acknowledges and agrees that any and all diskettes, CDs or any other physical embodiments or media, including, but not limited to, authorized and unauthorized copies, of the Software are the sole and exclusive property of the Master Licensor. Any authorized copies of the Software must contain appropriate proprietary and trade secret, copyright, trademark or other applicable legends as designated by Licensor. Sublicensee shall not use the name of Software or refer to Software directly or indirectly in any papers, articles, advertisements, sales presentations, news releases or releases to any third party without the prior written approval of Sublicensor for each such use. You may not release the results of any performance or functional evaluation of any portion of the Licensed Software to any third party.

10. Exclusion of Warranties. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, SUBLICENSOR DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE SOFTWARE, OR ANY COMPONENT OF THE FOREGOING, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, CORRECTNESS, COMPLETENESS, COMPREHENSIVENESS, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (IRRESPECTIVE OF ANY COURSE OF DEALING, CUSTOM OR USAGE OF TRADE), OR ANY REPRESENTATION THAT THE SOFTWARE WILL MEET SUBLICENSEE'S

REQUIREMENTS OR THAT THE SUBLICENSEE'S OR ANY AUTHORIZED USER'S USE THEREOF WILL BE UNINTERRUPTED OR ERROR-FREE, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES.

11. Limitation of Liability. SUBLICENSOR SHALL HAVE NO LIABILITY TO SUBLICENSEE OR TO ANY APPROVED FRANCHISEE WITH RESPECT TO SUBLICENSOR'S OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES, OR ANY LOSS OF PROFIT, REVENUE, DATA OR GOODWILL, WHETHER INCURRED OR SUFFERED AS A RESULT OF ANY ERRORS, DEFECTS OR NON-FUNCTIONING OF THE SOFTWARE PRODUCTS OR OTHERWISE, EVEN IF SUBLICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL SUBLICENSOR'S AGGREGATE LIABILITY HEREUNDER FOR ANY CAUSE IN ANY CALENDAR YEAR ARISING OUT OF OR RELATED TO SUBLICENSOR'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT OR OTHERWISE EXCEED THE AMOUNT OF THE MONTHLY MAINTENANCE FEES PAID HEREUNDER TO LICENSOR IN THE CALENDAR YEAR IN WHICH SUCH DIRECT DAMAGES ARE INCURRED. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION OR CLAIMS IN THE AGGREGATE INCLUDING WITHOUT LIMITATION, BREACH OF CONTRACT, BREACH OF LIMITED WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATION AND OTHER TORTS.

12. Remedies for Third Party Infringement. In the event the Software is held by any court of competent jurisdiction to infringe the rights of a third party or to violate a patent, and its use is enjoined, Sublicensor shall have the obligation, at its expense, to (i) modify the infringing Software, without impairing in any material respect its functionality, so that it is non-infringing or non-violative, or (ii) procure for Sublicensee the right to continue to use the infringing Software for any remaining unexpired portion of the Term, or (iii) replace the infringing Software with equally suitable non-infringing software. The foregoing is Sublicensee's sole remedy for infringement. If Sublicensor is unable to make any of the foregoing alternatives available to Sublicensee, Sublicensee shall receive a rebate of a prorated portion of the License fee charged hereunder, representing the fee due for the remaining unexpired portion of the Term.

13. Confidentiality; Non-Disclosure. Sublicensee agrees that the Software contains valuable proprietary information and that, except for those rights conveyed in this Agreement, Sublicensee retains no ownership rights in the Software. During the term of this Agreement, Sublicensee shall maintain the confidentiality of this information and not disclose the same to any third party or use it except as authorized by this Agreement. Sublicensee shall have no obligation of confidentiality or non-use with regard to information which (i) is or becomes a part of the public domain through no act or omission of Sublicensee, (ii) was in the Sublicensee's lawful possession prior to the disclosure thereto and had not been obtained by Sublicensee either directly or indirectly from Sublicensor, (iii) is lawfully disclosed to Sublicensee by a third party without restrictions on disclosure, (iv) is independently developed by Sublicensee, or (v) is required to be disclosed by law.

14. Termination. This Agreement shall automatically terminate upon the termination or expiration of the Franchise Agreement. The Sublicensor may terminate this Agreement: (a)

without notice at any time if Sublicensee is in default of the Franchise Agreement or Area Representative Agreement; (b) if Sublicensee fails to pay the Monthly Maintenance Fee when due and such failure continues unremedied for five (5) days; (c) upon ten (10) days written notice of Sublicensee's failure to comply with any other term of this Agreement if such failure is not remedied within ten (10) days following such notice. In the event of termination, and without limiting Sublicensor's remedies hereunder, Sublicensee shall be responsible for payment of all past due Monthly Maintenance Fees and charges up to the date of such termination.

15. Third Party Beneficiary. Sublicensee understands, acknowledges, and agrees with Sublicensor that Master Licensor, Sublicensor, and its affiliates, assigns and designees (which may include the creator of the Software) are an intended third-party beneficiary of the terms and conditions of this Agreement.

16. Restriction on Assignment. Sublicensee may not assign its rights or delegate its duties under this Agreement without the prior written consent of Sublicensor, which may be withheld in its sole and absolute discretion. Sublicensor reserves the right to assign its rights and obligations under this Agreement to a third party.

17. Governing Law and Dispute Resolution. The parties agree that the laws of the State of Pennsylvania (without giving effect to its conflicts of law principles) govern all matters and actions arising out of or relating to this Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement. The parties further agree and attorn to the exclusive jurisdiction of the state or federal courts of the State of Pennsylvania as the venue for any claim or dispute, and expressly agree to submit to the personal jurisdiction of such courts for the purpose of litigating any claim or action in connection with this License.

18. Notices. All notices required to be given under this Agreement shall be in writing and shall be transmitted either by personal delivery, reliable overnight courier (such as Federal Express), or through the facilities of the United States Post Office, postage prepaid, certified or registered mail, return receipt requested, or by confirmed facsimile transmission. Any such notice shall be effective upon delivery, if delivered by confirmed facsimile transmission or by personal delivery or overnight courier, and 72 hours after dispatch, if mailed in accordance with the above. Notices to the respective parties shall be sent to the following addresses unless written notice of a change of address has been previously given pursuant hereto:

To Sublicensor:           HAND AND STONE FRANCHISE LLC

with copy to:           \_\_\_\_\_

  \_\_\_\_\_

  \_\_\_\_\_

To Sublicensee:       \_\_\_\_\_

  \_\_\_\_\_

  \_\_\_\_\_

19. Waiver. No waiver or breach of any provision of this Agreement by Sublicensor

will constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver will be effective unless made in writing and signed by an authorized representative of Sublicensor.

20. Entire Agreement. This Agreement and exhibits or addenda, along with the Franchise Agreement or Area Representative Agreement, contain the entire understanding of the parties with respect to the transactions and matters contemplated hereby and this Agreement supersedes all previous agreements concerning the subject matter. This Agreement cannot be amended except by a writing signed by both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

**SUBLICENSOR**

HAND AND STONE FRANCHISE LLC

\_\_\_\_\_

By: \_\_\_\_\_, its \_\_\_\_\_

**SUBLICENSEE**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



**EXHIBIT K TO THE DISCLOSURE DOCUMENT  
ARCHITECTURAL SERVICES AGREEMENT**



Date

Franchisee  
Company  
Address  
City, State Zip

**RE: Proposal for Architectural [and Engineering Services]**

Hand and Stone, Spa Location

Dear Franchisee,

Thank you for the opportunity for HS Design, LLC (referred to as “HS Design” or the “Architect”) to provide you with a proposal for Architectural [and Engineering] Services for your upcoming spa in City, State, USA. By being an in-house architectural firm solely dedicated to H&S Franchise owners, our primary focus is to provide you with accurate construction documents, professional service, and quick turnaround times, all of which are at a competitive rate.

**Project Description:**

The scope of work for this project will consist of tenant improvements for a new Hand and Stone location at ABC Shopping Center in City, State, USA. The space is approximately 2,000-4,000 sf.

The layout of the spa will be shown as the Concept Plan and will include the following:

- [x] Treatment Rooms
- One (1) Couple’s Treatment Room
- Reception and Waiting Area
- Office
- Two (2) Restrooms
- Employee Break Room
- Storage Closets

Spa construction will generally include metal stud walls and drywall and follow materials as dictated by local building codes.

No exterior alternations are anticipated except for a new store sign.

Electrical service includes 480/277v and/or 120/208v panels.

HVAC service is a heat pump system or a rooftop unit.

Plumbing services includes a cold-water line and a sanitary sewer.

Fire Suppression system will be added/modified to accommodate the spa layout.

Fire Alarm system will be added/modified to accommodate the spa layout.

**Scope of Services:**

**Schematic Design:**

A Concept Plan will be created based on building shell drawings obtained from the landlord. If accurate shell drawings are not obtainable, it may be necessary for us to conduct a site survey of the premises before proceeding further. The site survey would be a flat fee of \$1,500 plus direct reimbursement for travel expenses. See *Reimbursable Expenses*.

**Construction Documents:**

Once the Concept Plan is complete and has been approved by you, the Client and Hand & Stone Franchise LLC, drawings will proceed to the Construction Document phase. Any significant changes made to the base plan after approval is subject to additional design fees.

Construction Documents will consist of plans, elevations, details, schedules and specifications in sufficient detail to receive building permits and for a qualified contractor's use for construction.

Construction Documents will include architectural, HVAC, plumbing and electrical design. The fire suppression and/or fire alarm will be designed by the contractor. Fire suppression scope is limited to the location of sprinkler heads as required.

HVAC design will be limited to providing notes regarding the ductwork design. Exhaust fans will be provided for the toilet rooms. The HVAC contractor will be responsible for final design of the ductwork.

**OR**

Where required, HVAC design will include design of the roof top units and ductwork. Exhaust fans will be provided for the toilet rooms. Structural supports for the units will be indicated.

Plumbing design is limited to water and sanitary riser diagram and plans.

Electrical design is limited to placement of lighting, receptacles, switches and other power requirements. Detailed circuiting to the existing electrical panel is not included. If the code official requires an electrical panel schedule, we can provide this as additional services for the fee stated herein.

**OR**

Where required, electrical design will include new panels, lighting, receptacles, switches and other power requirements.

Electrical fault current calculations or energy calculations will be provided if required by the city or authority having jurisdiction.

Upon the completion of the initial Construction Documents, a "check set" will be provided to you, the Client as well as the landlord for review and to provide comments. Comments will then be incorporated into the drawings prior to issuing completed permit sets.

**Bidding:**

H&S Director of Construction, Nick Malone, can provide assistance when sending the project out to bid. HS Design will be available to answer any requests for information (RFIs) from bidding contractors.

**Permitting:**

You will be provided with sets of signed and sealed Construction Documents for submission for permits. Payment of review or permit fees is not included in this proposal.

Once all comments are received from the building department, they will be addressed in order to obtain plan check approval. Re-submissions will be made via your contractor. Any changes that require significant deviation from the completed drawings will be considered additional services.

This proposal does not include completion of permit forms or providing information about the building shell or site.

**Permit Expediting Services:**

HS Design can coordinate permit expediting services (highly recommended) on your behalf to help streamline the project. In many cases, this can move your Grand Opening up by weeks! These fees range from \$900 to \$2,250 for most locations.

**Base Project Fees:**

The fees for the services listed above are as follows:

Architectural Services (Schematic Design and Construction Documents)	\$x,xxx
<u>Engineering Services and Energy Calculations (Construction Documents)</u>	<u>\$x,xxx</u>
Total	\$xx,xxx

**Retainer:**

An initial retainer of \$2,000 is required at the commencement of our services.

**Administrative Fees:**

Electronic (unsigned and unsealed) sets will be provided to the Client and Hand & Stone Franchise Corporation at no additional costs. Any hard copies of drawings and/or signed and sealed digital copies required by the building department for permit review and/or by the landlord will be billed as required. Printing/postage/shipping will be charged at 1.10 times costs. *See Reimbursable Expenses below.*

**Reimbursable Fees:**

Reproductions and other administrative expenses:	1.10 times cost
Travel (mileage)	current IRS rate for mileage
Travel, lodging, meals	cost

**Additional Services:**

Additional Services, which shall be billed in addition to this proposal, include, but are not limited to:

- Design services requested by you that are beyond the scope of the work or that deviate significantly from the initial scope of the work.
- Review of millwork shop drawings, plumbing submittals, electrical submittals, etc.
- Verification of existing conditions of the shell space.
- Site Visits
- Environmental Remediation
- Design and drawings for signage, or other graphics.
- Structural alterations.
- Energy calculations for the building shell.
- Meetings with utility companies.
- Preparing As-Built drawings at completion of construction.
- Fault Current Calculations
- Review of Applications for Payment
- LEED design and documentation
- Preparation of Sample Boards

These services can be provided at the following hourly rates, and will only be undertaken with your approval:

Architect: \$150.00 per hour  
Project Manager: \$100.00 per hour

**Preliminary Schedule:**

Schematic Design:	< 3-5 business days from contract execution
Construction Documents (check set):	max 20 business days from Schematic Design approvals
Permit sets ready to ship:	< 5 business days from receipt of final Client and Landlord comments

Respectfully Submitted:

HS Design, LLC

**Acceptance:** If accepted please sign one copy of this signature page and return with the retainer payment. Upon acceptance and execution this proposal becomes a legally binding agreement. The Terms and Conditions attached hereto are incorporated herein and shall apply to this proposal.

X \_\_\_\_\_  
(Client)

X \_\_\_\_\_  
(Date)

## Terms and Conditions

### (Client) Responsibilities:

The Client shall provide full information regarding requirements for the project, including a design program that shall set forth the client's objectives, schedule, constraints and criteria.

The Client shall furnish a complete set of building shell drawings, lease outline drawings, legal descriptions and utility locations to the Architect prior to beginning work. The Architect is not responsible for review or verification of existing conditions.

The Client shall furnish accurate and current AutoCAD files of the building shell of the tenant space to serve as a base to design the project. The Architect is not responsible for verifying the accuracy of the CAD file.

If necessary, the Client shall provide the services of an environmental consultant for the identification and remediation of mold, asbestos containing materials or other hazardous materials.

The Client shall provide prompt written notice to the Architect if the Client becomes aware of any fault or defect in the services provided or with the contract documents prepared by the Architect.

### (Architect) Responsibilities:

The Architect covenants with Client to exercise reasonable care in manner consistent with the standards required of other architects providing similar services under similar circumstances.

The Architect will provide the services in a reasonably expedient, professional, and economical manner consistent with the standards of the profession.

Work under this agreement is considered a service, and shall not be construed as goods or products.

The amount of liability arising out of performance under this agreement shall be limited to claims directly attributable only to the failure to exercise the degree of skill and performance normally exercised by qualified architects providing similar service under similar conditions, and shall be strictly limited to the costs of services rendered under this Agreement.

The Architect will maintain, for a period of one (1) year after the completion of our services, professional liability insurance in the amount of \$1,000,000 per claim and \$2,000,000 annual aggregate limit of liability providing coverage for claims arising from the Architect's negligent acts, errors, or omissions in providing the services under this agreement. Any claim related to this Agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Client knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

### Payment to the Architect:

The Architect shall submit monthly invoices to the Client for payment for services performed under the Base Fee, as well as for all reimbursable expenses and Client approved additional services. Payment is due from the client within thirty (30) days of the invoice date.

Amounts unpaid after thirty (30) days of the invoice date shall bear interest at the rate of 1.0% per month.

Unless prior written arrangement is made with the Architect, the Architect is not obligated to release signed and sealed drawings and/or distribute drawings if payment has not been received for services provided.

This proposal is valid for a period of ninety (90) days from the date of this proposal and is subject to adjustment by the Architect thereafter.

The Client shall make the initial retainer payment prior to the Architect beginning services, which shall be credited to the Client's account at final payment.

#### Expedited Services:

Services requested by the Client to be completed on an expedited schedule, or required to be completed in an expedited manner to maintain the proposed project schedule to due changes by the Client, shall be billed at 1.25 times the contract amount.

The Architect will notify the Client that expedited services may be required before beginning the expedited services. The expedited services will be provided unless written notice from the Client is received immediately by the Architect.

#### Termination of Services:

This agreement may be terminated by either party upon not less than seven (7) days written notice should the other party fail substantially to perform in accordance with the terms of this agreement through no fault of the party initiating the termination.

The Client may terminate the project for any reason, with or without cause, upon not less than seven (7) days' notice to the Architect. In the event of termination, the Client shall pay the Architect for completed services up to the date of termination. The Architect will furnish copies of drawings and other documentation to the Client related to the services performed to the date of termination.

If the Client suspends the project for more than thirty (30) consecutive days, the Architect shall be compensated for services provided prior to the receipt of the Client's written notice to suspend services. The Architect will furnish printed copies of drawings and other documentation to the Client related to the services performed to the date of suspension of the project.

#### Ownership and Use of Architect's Documents:

The drawings, specifications and other documents prepared by the Architect for this project are instruments of the Architect's service for use solely for this project. The Architect shall retain ownership of the documents.

The Client shall be permitted to retain print and .tif or .pdf electronic copies of the Architect's documents for information and reference in connection with the Client's use and occupancy of the project.

The Architect's documents shall not be used by the Client or others on other projects, or addition to this project, without written permission of the Architect and appropriate compensation and other qualification and upon terms acceptable to the Architect.

The Client agrees to defend, indemnify and hold harmless the Architect against situations arising out of reuse of the documents without the Architect's consent.

### Claims for Consequential Damages:

The Architect and Client waive consequential damages for claims, disputes, or other matters in question arising out of or relating to this Agreement.

### Indemnification:

The Architect agrees to indemnify and hold harmless the client from claims, damages, losses, and expenses arising out of negligent acts, errors or omissions of the Architect as a result of the Architect's services provided under this agreement. The Architect is not obligated to indemnify the Client in any way for the Client's own negligence or negligence of others.

The Client agrees to indemnify and hold harmless the Architect against situations arising out of hazardous materials found at the site.

### Dispute Resolution:

#### Mediation:

Any claim, dispute or other matter in question arising out of or related to this Agreement shall be subject to mediation as a condition precedent to binding dispute resolution. If such matter relates to or is the subject of a lien arising out of the Architect's services, the Architect may proceed in accordance with applicable law to comply with the lien notice or filing deadlines prior to resolution of the matter by mediation or by binding dispute resolution. The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in Philadelphia, PA, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

#### Arbitration:

Any claim, dispute or other matter in question arising out of or related to this Agreement, but not resolved by mediation, shall be subject to arbitration which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration in Bucks County, PA. A demand for arbitration shall be made in writing, delivered to the other party to this Agreement, and filed with the person or entity administering the arbitration. For statute of limitations purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the claim, dispute or other matter in question.

The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by parties to this Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof. The award rendered by the arbitrator(s) shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.



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

**SAMPLE GENERAL RELEASE**

THIS SAMPLE GENERAL RELEASE is made and given on this \_\_\_\_ day of \_\_\_\_\_,  
20\_\_\_\_ by \_\_\_\_\_, (“RELEASOR”) an  
individual \_\_\_\_\_ with \_\_\_\_\_ an \_\_\_\_\_ address \_\_\_\_\_ at:  
\_\_\_\_\_, in consideration of:

\_\_\_\_\_ the execution by HAND AND STONE FRANCHISE LLC (“RELEASEE”) of a  
successor Franchise Agreement or other renewal documents renewing the franchise (the “Franchise”)  
granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the “Franchise  
Agreement”) between RELEASOR and RELEASEE; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assignment of its rights and duties under the  
Franchise Agreement; or

\_\_\_\_\_ RELEASEE’S consent to RELEASOR’S assumption of rights and duties under the  
Franchise Agreement,

and other good and valuable consideration, and accordingly RELEASOR hereby releases and  
discharges RELEASEE, RELEASEE’S officers, directors, shareholders and employees (in their corporate  
and individual capacities), and RELEASEE’S successors and assigns, from any and all causes of action,  
suits, debts, damages, judgments, executions, claims and demands whatsoever, known or unknown, in law  
or in equity, that RELEASOR and RELEASOR’S heirs, executors, administrators, successors and assigns  
had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning  
of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise  
Agreement, including, without limitation, claims arising under federal, state and local laws, rules and  
ordinances.

This General Release shall not be amended or modified unless such amendment or modification is  
in writing and is signed by RELEASOR and RELEASEE.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first  
above written.

RELEASOR:

\_\_\_\_\_  
(type/print name)

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

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

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

(or, if an individual)

Signed: \_\_\_\_\_

name printed: \_\_\_\_\_

**ACKNOWLEDGMENT**

State of \_\_\_\_\_ )  
 ) ss  
County of \_\_\_\_\_ )

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ before me personally came \_\_\_\_\_, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the \_\_\_\_\_ (title) of \_\_\_\_\_ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public  
My Commission expires:

(NOTARIAL SEAL)

**EXHIBIT M TO THE DISCLOSURE DOCUMENT**  
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

**NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) : FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.**

As you know, Hand and Stone Franchise LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Hand and Stone Massage Spa Business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

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

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

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

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

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

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

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

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

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

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

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

If No, do you wish to have more time to do so?

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

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

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

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any

particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

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

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

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

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

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

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

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

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

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

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

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

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

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

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

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

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Sign here if you are taking the franchise as an

**INDIVIDUAL:**

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name\_\_\_\_\_



## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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:

STATE	EFFECTIVE DATE
California	Pending
Florida	Effective
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Effective
Minnesota	Pending
New York	Pending
North Dakota	Not Registered
Rhode Island	Pending
South Dakota	Pending
Utah	Effective
Virginia	Pending
Washington	Pending
Wisconsin	Pending

In all other states, the effective date of this Franchise Disclosure Document is the Issuance Date is May 17, 2023.

**RECEIPT**

**(RETURN ONE COPY TO US)**

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

If Hand and Stone 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 grant. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Hand and Stone 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, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Hand and Stone Franchise LLC, located at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053. Its telephone number is (215) 259-7540.

Issuance date: May 17, 2023

The franchise seller for this offering is as follows:

**Please check all that apply. If you are working with an additional franchise seller not listed below, please provide their name, address and phone in the space provided:**

Jennifer Durham  
1210 Northbrook Drive,  
Suite 150  
Trevose, Pennsylvania 19053  
(215) 259-7540

Additional Seller Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City/ST/Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_

Hand and Stone Franchise LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated May 17, 2023, that included the following Exhibits:

- Exhibit A – List of State Administrators/Agents for Service of Process
- Exhibit B – Table of Contents of the Operations Manual
- Exhibit C – Financial Statements
- Exhibit D – Franchise Agreement
  - Exhibit A – Approved Location; Protected Territory
  - Exhibit B – Nondisclosure and Non-Competition Agreement
  - Exhibit C – Transfer to a Corporation or Limited Liability Company
  - Exhibit D – Collateral Assignment and Assumption of Lease
  - Exhibit E – Acknowledgment of Telephone Number Ownership

- Exhibit F – ACH Agreement
- Exhibit G – Franchisee Disclosure Acknowledgment Statement
- Exhibit E – List of Active Franchise Owners
- Exhibit F – List of Franchisees Who Have Left the System
- Exhibit G – List of Regional Developers
- Exhibit H – List of Regional Developers Who Have Left the System
- Exhibit I – State Specific Addenda
- Exhibit J – Software Sublicense Agreement
- Exhibit K – Architectural Services Agreement
- Exhibit L - Sample General Release
- Exhibit M – Franchisee Disclosure Acknowledgment Statement

Date: \_\_\_\_\_  
 (Do not leave blank)

\_\_\_\_\_  
 Signature of Prospective Franchisee

\_\_\_\_\_  
 Print Name

Date: \_\_\_\_\_  
 (Do not leave blank)

\_\_\_\_\_  
 Signature of Prospective Franchisee

\_\_\_\_\_  
 Print Name

You may return the signed receipt either by signing, dating and faxing a copy of the signed and dated receipt to Hand and Stone Franchise LLC at (215) 259-7540, or by mailing it to Hand and Stone Franchise LLC at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053.

**RECEIPT**

**(RETURN ONE COPY TO US)**

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

If Hand and Stone 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 grant. New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Hand and Stone 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, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Hand and Stone Franchise LLC, located at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053. Its telephone number is (215) 259-7540.

Issuance date: May 17, 2023

The franchise seller for this offering is as follows:

**Please check all that apply. If you are working with an additional franchise seller not listed below, please provide their name, address and phone in the space provided:**

<input type="checkbox"/> Jennifer Durham 1210 Northbrook Drive, Suite 150 Trevose, Pennsylvania 19053 (215) 259-7540	<input type="checkbox"/> Additional Seller Name: _____ Address: _____ City/ST/Zip: _____ Phone: _____
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Hand and Stone Franchise LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document May 17, 2023, that included the following Exhibits:

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- Exhibit M – Franchisee Disclosure Acknowledgment Statement

Date: \_\_\_\_\_  
 (Do not leave blank)

\_\_\_\_\_  
 Signature of Prospective Franchisee

\_\_\_\_\_  
 Print Name

Date: \_\_\_\_\_  
 (Do not leave blank)

\_\_\_\_\_  
 Signature of Prospective Franchisee

\_\_\_\_\_  
 Print Name

You may return the signed receipt either by signing, dating and faxing a copy of the signed and dated receipt to Hand and Stone Franchise LLC at (215) 259-7540, or by mailing it to Hand and Stone Franchise LLC at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053.