

## FRANCHISE DISCLOSURE DOCUMENT



LaVida Massage Franchise  
Development, Inc.  
A Michigan Corporation  
7077 Fieldcrest Dr, Suite 600  
Brighton, MI 48116  
248.360.6157  
www.lavidamassage.com

The Franchise offered is for the operation of a therapeutic massage center under the name "LaVida Massage®" offering therapeutic massage services to the general public in a clean and relaxing environment.

The total investment necessary to begin operation of a single LaVida Massage Center franchise ranges from \$313,250 to \$529,500. This includes \$45,208 that must be paid to the franchisor or affiliate for a single unit; or \$396,250 to \$602,500 for a three-unit option, which includes \$93,708 that must be paid to the franchisor or 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 this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you to understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](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: June 21, 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:

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F and G.
<b>How much will I need to invest?</b>	Item 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit 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 LaVida 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 franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a LaVida franchisee?</b>	Item 20 or Exhibit F and G 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 you 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 State Specific Addenda. See the Table of Contents for the location of State Specific Addenda.

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.
2. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

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

## STATE OF MICHIGAN DISCLOSURE NOTICE

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

- (a) A prohibition 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 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 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 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. The 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.**

Any questions regarding this notice should be directed to:

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building  
525 W. Ottawa Street  
P.O. Box 30212  
Lansing, MI 48909

## TABLE OF CONTENTS

Item	Page
1. The Franchisor, And Any Parents, Predecessors, And Affiliates.....	1
2. Business Experience.....	2
3. Litigation.....	2
4. Bankruptcy.....	4
5. Initial Fees.....	4
6. Other Fees.....	5
7. Estimated Initial Investment.....	8
8. Restrictions On Sources Of Products And Services.....	11
9. Franchisee’s Obligations.....	13
10. Financing.....	14
11. Franchisor’s Assistance Advertising, Computer Systems, And Training.....	14
12. Territory.....	19
13. Trademarks.....	20
14. Patents, Copyrights, And Proprietary Information.....	21
15. Obligation To Participate In The Actual Operation Of The Franchise Business.....	21
16. Restrictions On What The Franchisee May Sell.....	22
17. Renewal, Termination, Transfer, And Dispute Resolution.....	22
18. Public Figures.....	27
19. Financial Performance Representations.....	27
20. Outlets And Franchisee Information.....	31
21. Financial Statements.....	35
22. Contracts.....	35
23. Receipts.....	35
Exhibit	
A. List of State Agencies/Agents for Service of Process	
B. Tables of Contents of Manuals	
C. Financial Statement	
D. State Specific Addendum	
E. Franchise Agreement and Other Agreements	
F. List of Current Franchisees	
G. List of Former Franchisees	
H. Confidentiality Agreement	
I. State Effective Dates	
J. Receipt	

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

To simplify the language, this disclosure document uses “we,” “us,” or “LMFD” to mean LaVida Massage Franchise Development, INC., the franchisor. “You” means the individual, corporation, or other entity that buys a LaVida Massage franchise.

### **Franchisor, Parent, and Affiliates**

We conduct business under the name LaVida Massage. Our principal business address is 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116. We are a Michigan corporation that was incorporated on April 30, 2007. We do not conduct business under any other name.

LaVida Massage Franchise Development, INC. has no parent company or predecessors.

Our affiliates are: Life Investments, LLC., (“LaVida Massage Canton”) whose principal address is 42142 Ford Rd, Canton, MI 48187. LaVida Massage Canton currently operates one LaVida Massage Center and does not offer franchises in any line of business.

LaVida Plymouth, LLC., (“LaVida Massage Plymouth”) whose principal address is 15175 N Sheldon Rd, Plymouth, MI 48170. LaVida Massage Plymouth currently operates one LaVida Massage Center and does not offer franchises in any line of business.

LaVida Ann Arbor, INC., (“LaVida Massage Greenville”) whose principal address is 3040 South Evans, Suite 103, Greenville, NC 27834. LaVida Massage Greenville currently operates one LaVida Massage Center and does not offer franchises in any line of business.

LVM Products, INC., whose principal address is 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116. LVM Products provides items for sale to the franchisees for the everyday operation of the center such as but not limited to, massage lotion/oil, gift cards, in-center signage, items to be sold as retail products, etc. LVM Products also sells LaVida Massage gift cards to the general public to be redeemed at any center. LVM Products, INC., currently does not offer franchises in any line of business.

LaVida Investments, LLC., whose principal address is 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116. LaVida Investments is a property management company, which holds the lease for the corporate office of LMFD. LaVida Investments does not offer franchises in any line of business.

### **Agent for Service of Process**

Our agent for service of process is Mrs. Peggy Davis. Her principal business address is 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116.

### **The Business We Offer**

We grant franchises for massage Center units in conformance with the FTC Franchise Rule data regarding these entities which operate under the name LAVIDA MASSAGE and offer professional health and wellness services through the use of massage therapy and other related goods and services. This concept is based on high-volume massage services in a gender-neutral Center, which is open seven days a week and conveniently located. You will be allowed to operate a "LaVida Massage Center" also called "Center" under the Single Unit Franchise Agreement. We also offer Three Pack Franchises. The Three Pack Option Agreement ("TOA") allows you the option to develop three LaVida Massage Centers. Upon establishing each additional outlet under the Three-Unit Option, Franchisee may be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document. We have offered franchises for LaVida Massage Centers since August 2007. The LaVida Massage Centers offer an affordable, safe and clean environment for its guests.



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

### **Applicable Regulations**

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

## **ITEM 2: BUSINESS EXPERIENCE**

### **President/ Treasurer: Peggy Davis**

Mrs. Davis has been the President and Treasurer of LaVida Massage Franchise Development, INC., since April 2007. From 2009 to the present, Mrs. Davis has owned shares of our affiliate, Life Investments, LLC. From 2014 to the present, Mrs. Davis has owned shares of our affiliate, LVM Products, INC. From 2016 to the present, Mrs. Davis has owned shares of our affiliate, LaVida Ann Arbor, INC. From 2019 to the present, Mrs. Davis has owned shares of our affiliate, LaVida Investments, LLC.

### **Secretary: Mark Davis**

Mr. Davis has been Secretary of LaVida Massage Franchise Development, Inc since 2016 and was our Operations Manager from 2009 to 2016, Director of Operations from 2016 to 2018, and has held the position of CEO from 2018 to present. From 2009 to the present, Mr. Davis has owned shares of our affiliate, Life Investments, LLC. From 2012 to the present, Mr. Davis has owned shares of our affiliate, LaVida Plymouth, LLC. From 2016 to the present, Mr. Davis has owned shares of our affiliate, LaVida Ann Arbor, INC. From 2019 to the present, Mr. Davis has owned shares of our affiliate, LaVida Investments, LLC. From 2020 to the present, Mr. Davis has owned shares of our affiliate, LVM Products, INC.

## **ITEM 3: LITIGATION**

### **Prior Actions**

LaVida Massage Franchise Development, Inc. v. (W)holistic Works, LLC, et al., No. 2:22-cv-00506 (Western District of Washington at Seattle). On April 15, 2022, we filed a Complaint against (W)holistic Works, LLC, LaVida Massage franchise; Kevin Moen, form member of the franchisee (W)holistic Works, LLC; Price Tsai, form franchisee (W)holistic Works, LLC guarantor; Celebration Massage, Defendant Buyer; Vitamin B6, LL, and Trent Baldwin Defendant Buyer in the Federal Western District of Washington at Seattle asserting Trademark Infringement, Federal Unfair Competition, and False Designation, Common Law Trademark Infringement, Common Law Unfair Competition, Deceptive Trade Practices in Violation of Michigan Consumer Protection Act, Tortious Interference with Advantageous Business Relationships or Expectancies, Breach of Contract, Unjust Enrichment, Common Law and Statutory Conversion, Trade Secret Misappropriation Under the Defend Trade Secrets Act of 2016, Civil Conspiracy. In exchange for dismal of the case with prejudice and mutual release of claims, the Defendant agree to pay LaVida Massage Franchise Development, Inc. Twelve Thousand Dollars (\$12,000.00) and a payment of Fifteen Thousand Dollars (\$15,000.00) for La Vida's legal fees related to the Litigation and Defendants' breach of the La Vida Franchise Agreement. In addition .to the Settlement Payment, Defendants shall make a Ten Thousand Dollar (\$10,000.00) payment to La Vida for the gift card and membership credits redeemed by La Vida's other locations (the "Gift Card Payment").

MTR Capital, LLC v. LaVida Massage Franchise Development, Inc., et al., No. 2:17-cv-13552 (Eastern District, Southern Division, Michigan). On October 31, 2017, Plaintiff MTR Capital, LLC. (“MTR”) filed a Complaint against LMFD, Peggy Davis, and Duane Goodwin in the United States District Court for the Eastern District of Michigan. MTR is a former franchisee. Peggy Davis is the President of LMFD and Goodwin is the Master Area Developer Georgia, Alabama, Florida, and Tennessee of LMFD. In its Complaint, MTR alleged claims related to the sale of a LaVida Massage franchise located in Miami-Dade County, Florida, requested monetary damages in excess of \$75,000 and sought rescission of the Franchise Agreement. MTR brought claims for (1) fraudulent inducement and misrepresentation; (2) negligent misrepresentation; (3) violations of Florida’s Deceptive and Unfair Trade Practices Act (“FDUTPA”), Fla. Stat. §501.203(3); and (4) violations of the Florida Franchise Act (“FFA”), Fla. Stat. § 817.416. LMFD alleged a Counterclaim against MTR for breach of the Franchise Agreement.

The Court conducted a bench trial on January 27-30, 2020. The Court issued a decision on November 6, 2020. The Court concluded that LMFD failed to update its 2014 Franchise Disclosure Document (“FDD”) in March, June, and September with the first, second, and third quarter 2014 closures and any other material changes, and subsequently provide MTR with that updated copy of the 2014 FDD. The Court awarded a refund of MTR’s \$39,000 Franchise Fee. The Court denied MTR’s request for additional damages. The Court held that “Plaintiff did not establish at trial that the losses from that point forward were caused by the omissions of the Defendants, rather than by Plaintiff’s own mismanagement of the franchise.”

The Court denied all of MTR’s other claims. Regarding the claims for fraudulent and negligent misrepresentation, the Court concluded that “None of the website or press release statements can therefore support a claim for fraud.” Regarding statements made in the 2014 FDD, the Court concluded that the evidence was “insufficient to satisfy the second and third elements of a fraudulent misrepresentation claim with regard to the 2014 FDD.” Regarding performance projections, the Court concluded that “the evidence shows that MTR failed to meet its burden in proving reliance by a preponderance of the evidence” and that “[a] reasonable franchisee would not have relied on or been misled solely by any disclaimed performance projections made by LaVida, including the model spreadsheet, LaVida’s press releases, or LaVida’s website.” Regarding estimated initial investment, the Court concluded that MTR’s “actual initial investment was approximately \$300,000—within \$10,000 of the range provided by LaVida on the FDD.” Regarding the FFA claim, the Court concluded that MTR “failed to establish that he detrimentally relied on any specific performance projections.”

The parties both filed post-trial motions seeking to modify this decision. MTR also filed a post-trial motion for reimbursement of attorney fees and costs, which LMFD opposed. On April 27, 2021, the Court denied all post-trial motions. Neither side appealed the final judgement. LMFD Satisfied the judgement on June 22, 2021.

Marina Butts v. Abhay Salunke, et al., No. D-1-GN-18-000661 (District Court of Travis County, Texas). On February 7, 2018, Plaintiff Marina Butts filed a Complaint against Abhay Salunke, Suparna Salunke, LMFD, Moonrich Enterprises, Inc., Moonrich, LLC, Marcus Hodges (“Hodges”) and LMFD in the District Court for Travis County, Texas. Hodges was a massage therapist who was employed by the LaVida Massage Pflugerville franchise located in Pflugerville, Texas. In her Complaint, Butts alleged that Hodges had engaged in inappropriate behavior during the course of a massage on January 21, 2017 and requested monetary damages of an unspecified amount. Defendants denied that they were liable to Butts and contested the damages sought by Butts in the case. In pertinent part, LMFD filed an Answer and Affirmative Defenses to the Complaint in which it alleged that Plaintiffs’ claims against LMFD were barred because LMFD did not hire Defendant Hodges, he was not an employee of LMFD, and he was not subject to the control or supervision of LMFD at the time of the incident complained of. On or about December 22, 2018, the case settled, without an admission of liability. In the terms of the settlement, Plaintiff releases,

acquits, and forever discharges Defendants, any of Defendants' representatives, and Plaintiff further covenants not to assert in any manner against any such persons or entities released hereby, any and all actual or potential claims held by Plaintiffs, against Defendants, and/or any suits, demands, causes of action, charges or grievances of any kind of character whatsoever, heretofore or hereafter accruing for or because of any matter done, omitted, or suffered to be done by any such party hereto prior to and including the date hereof, and in any manner (whether directly or indirectly) arising from or related to the Lawsuit.

Megan Lang v. LaVida Massage Commerce, et al., No. 20180162908-CZ (Sixth Judicial Circuit Court, Michigan). On February 7, 2018, Plaintiff Megan Lang filed a Complaint against LaVida Massage Commerce, LMFD and Ghassan Karana ("Karana") in the Circuit for Oakland County, Michigan. Karana was a massage therapist who was employed by the LaVida Massage Commerce franchise located in Commerce Michigan. In her Complaint, Lang alleged that Karana had engaged in inappropriate behavior during the course of a massage on August 20, 2016 and requested monetary damages in excess of \$25,000. Defendants denied that they were liable to Lang and contested the damages sought by Lang in the case. In pertinent part, LMFD filed an Answer and Affirmative Defenses to the Complaint in which it alleged that Plaintiffs' claims against LMFD were barred because LMFD did not hire Defendant Karana, he was not an employee of LMFD and he was not subject to the control or supervision of LMFD at the time of the incident complained of. On or about October 26, 2018 per The Stipulated Order of Dismissal Without Prejudice, LMFD was dismissed of the case without prejudice, and without award of costs or fees to either party.

Aaron Brown v. LaVida Massage Franchise Development, Inc., No. 17-1023-GC (53rd District Court, Michigan). On June 19, 2017, Aaron Brown ("Brown") filed a claim against LMFD in the Small Claims Court for the 53rd Judicial District Court in Michigan and sought damages of \$2,250.00. Brown alleged a claim for breach of contract against LMFD for marketing services allegedly provided. LMFD denied the claim and contested the amount of damages sought by Brown in the case. On or about September 12, 2017, the case settled, without an admission of liability, for a payment by LMFD of \$1,875.00 to Brown.

Genevieve Phillips, et al. v. Abhay Salunke, et al., No. D-1-GN-16-000751 (District Court of Travis County, Texas). On February 22, 2016, Plaintiffs Genevieve Phillips and Gary Phillips filed a Complaint against Abhay Salunke, Suparna Salunke, Moonrich Enterprises, Inc., Moonrich, LLC, Adrian Stuart Johnson ("Johnson") and LaVida Massage Franchise Development, Inc. ("LMFD") in the District Court for Travis County, Texas. Johnson was a massage therapist who was employed by the LaVida Massage Cedar Park franchise located in Cedar Park, Texas. In her Complaint, Plaintiffs alleged that Johnson had engaged in inappropriate behavior during the course of a massage on Genevieve Phillips on March 14, 2014 and requested monetary damages of an unspecified amount. Defendants denied that they were liable to Plaintiffs and contested the damages sought by Plaintiffs in the case. In pertinent part, LMFD filed an Answer and Affirmative Defenses to the Complaint in which it alleged that Plaintiffs' claims against LMFD were barred because LMFD did not hire Defendant Johnson, he was not an employee of LMFD and he was not subject to the control or supervision of LMFD at the time of the incident complained of. On or about September 2, 2016, the case settled, without an admission of liability. LMFD agreed to pay Phillips \$12,000.00 per the settlement agreement made on or about September 2, 2016.

Other than the above matters, no other litigation is required to be disclosed in this Item.

#### **ITEM 4: BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

#### **ITEM 5: INITIAL FEES**

### Single Unit Franchises

You must pay an initial franchise fee for a full single unit franchise in the amount of \$39,000 ("Single Unit Initial Fee"). The Single Unit Initial Fee is payable upon execution of the agreement and is non-refundable.

### Three Pack Franchises

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

### Startup Package

Before starting your Franchised Business, you must pay LVM Products, INC. \$3,880 for a Startup Package that includes massage lotion/oil, gift cards, in-center signage, items to be sold as retail products, other items. The amount charged for this Package is uniformly charged all franchisees, is nonrefundable and payable in one lump sum upon the signing of the Franchise Agreement.

### Center Management Software Fee

You must pay us \$900 for one Unit or \$2,700 for the Three Pack Option for installation for the Center Management software system and the startup cost in one lump sum upon the signing of the Franchise Agreement. In addition, A Center Management Software Fee of \$119 per week (or \$1,428 for 3 months) shall be debited from your account each week for use of the LaVida Massage software. Center Management Software Fee and installation is uniformly charged all franchisees and is nonrefundable.

### Employee Discount

For existing qualifying LaVida Massage Franchisees, we discount the Initial Franchise Fee to \$20,000 as a thank you and financial incentive.

## ITEM 6: OTHER FEES

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty Fee	5% of Weekly Gross Sales <sup>2</sup>	Due on Friday each week <sup>3</sup>	We will electronically debit this amount from your account.
Renewal Fee	25% of our then current franchise fee	Before the execution of franchise agreement for a	Due if you enter into a renewal of your franchise.
Cooperative Advertising Fund Contributions <sup>4</sup>	1% of Gross Sales	Due on Friday each week <sup>3</sup>	We will electronically debit this amount from your account.
Center Management Software Fee	\$119 per week	Due on Friday <sup>3</sup> each week	We will electronically debit this amount from your account.
Return Check/ACH Fee	\$100	As incurred <sup>3</sup>	Due each time a check/ACH is dishonored
Default Notice Fee	\$150	As incurred <sup>3</sup>	Due each time we send you a notice because you are in default of your franchise

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Inspections	\$0 - \$1,200 No charge to franchisee for regular inspections.	Charges for additional necessary inspections due to serious violations by the franchisee	Includes all travel expenses, room and board and compensation of our employees.
Audit Expenses	\$3,000-\$6,000	10 days after receipt of final audit	Payable if understatement is greater than 2% or audited because you failed to submit reports, including the cost of the audit, travel expenses, room and board, and compensation of the independent accountant and employees of the
Transfer	\$7,500	Before transfer	Payable when Franchise Agreement or the assets of the Center or any majority ownership interest is transferred. If training is required before transfer is complete, \$2,500 must be paid prior to any training and the balance of \$5,000 upon
Training Fees (all owners and up to 2 employees for up to five days at LAVIDA training facility)	Costs of travel expenses, room and board for franchisee employees	Paid by franchisee as incurred	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training.
Training Fees (one week for LAVIDA trainers at Franchisee location)	No cost to Franchisee (all owners and up to 2 employees)	N/A	N/A
Additional Personnel attending Initial Training	\$125 plus costs of travel, expenses, room and board for franchisee employees	Paid in Advance	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training.
Additional Training for employees after initial training (upon request or by necessity)	\$250 - \$1,250 plus costs of travel, expenses, room and board for franchisee employees	Paid in Advance	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training.

<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Management Services Upon Franchisees Death or Disability	\$250-\$500 per day	As incurred	Daily management fee plus travel expenses.
Interest on Late Payments	Interest will accrue daily on any late payments at the rate 15% per annum during any one-year period.	As incurred	Payable on all overdue amounts.
Insurance	Actual cost of premiums, plus our costs and expenses	As incurred	If you fail to obtain and maintain the insurance we require, you must reimburse us if we elect to get coverage for your Center
Charges for Testing and Evaluation applying to franchisees requests for approval for goods and suppliers	\$0 - \$100	As incurred	See Item 8
Indemnification	You must reimburse us for any losses, costs, or expenses, that we incur because of your Center's operations	As incurred	You must indemnify and hold us harmless if we are held liable from your Center's operations.
Costs of Enforcement	You reimburse us for any losses, costs, or expenses, that we incur in enforcing the terms of the Franchise Agreement	As incurred	Reimburse us to enforce the Franchise Agreement.
Maintenance & Up Keep <sup>5</sup>	\$500 - \$2,500 per year	As incurred	Maintenance and upkeep, except equipment, due to normal wear and
Redecorating / Remodeling <sup>6</sup>	\$0 - \$5,000	As incurred	Expected life of equipment is 5 to 10 years. Redecorating of premises may vary by location, normally does not occur before 5 years.

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

<sup>2</sup>Gross Sales includes total receipts from the sale of products and services authorized for sale at the Center but excludes gratuities, discounts, promotional coupons, sales tax or other taxes collected by the Franchisee and paid to taxing authorities.

<sup>3</sup>You must pay all amounts by automatic debit. You must sign the documents we require to debit your account automatically for the amounts due. We will debit your account for the Royalty Fee payment, Cooperative Advertising Fund payment, Software Fee payment, and other amounts due to us.

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

<sup>4</sup>We will periodically establish an Advertising Contribution level, but it will not exceed 1% of Gross Sales. You must spend a minimum of twenty-five hundred dollars (\$2,500) per month for the first twenty-four (24) months in business and (4%) of gross sales after twenty-four months on local advertising, branding and promotional programs to enhance the reputation of your business within the Designated Territory.

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

<sup>5</sup>Maintenance and upkeep is based upon normal wear and tear.

<sup>6</sup>Expected life of equipment is 5 to 10 years and expected cost is \$250 each.

## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee <sup>1</sup>	\$39,000	Lump Sum	Execution of Franchise Agreement	LMFD
Real Estate/Rent <sup>2</sup>	\$18,000-\$36,000	As agreed in lease	Monthly	Landlord

<b>Expenditure</b>	<b>Amount</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Equipment/Fixtures <sup>3</sup>	\$30,000-\$50,000	As incurred	Before opening	Approved Vendors
Leasehold Improvements <sup>4</sup>	\$120,000-\$233,000	By agreement with Vendors	Before opening	Vendors
Opening Inventory <sup>3</sup>	\$3,000- 6,000	Lump sum	Before opening	Affiliate, Approved Suppliers
Signage <sup>3</sup>	\$6,500 - \$8,500	By agreement with Vendors	Before opening	Affiliate, Approved Suppliers
Business Licenses & Permits <sup>5</sup>	\$250 - \$2,000	As incurred	Before opening	Government Agencies
Opening Advertising (to be spent before opening and within 30 days after opening)	\$5,000 - \$10,000	As incurred	Before opening	Various Media, PR, Suppliers
Pre-Opening Training <sup>6</sup>	\$1,000 - \$5,000	As incurred	Before opening	Airline, hotels & restaurants
Miscellaneous (legal, utilities, insurance, office supplies, etc.) <sup>7</sup>	\$5,500 - \$20,000	As incurred	Before opening	Attorneys, local government, travel agent, vendors
Additional Funds (6 months) <sup>8</sup>	\$85,000-\$110,000	As incurred	During first 6 months you operate your store	Various parties, excluding employees
<b>TOTAL<sup>9</sup></b>	<b>\$313,250-\$529,500</b>			
Three Pack Option Fee <sup>10</sup>	\$83,000	Lump sum	At signing of Three Pack Option Agreement	LMFD
<b>TOTAL<sup>9</sup></b>	<b>\$396,250-\$602,500</b>			

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

2. You must lease an appropriate site. Generally, the leases are for 5-10 years with an option to renew for 5-10 years. The site is typically a 2,400 to 2,600 square foot standalone building or space within a shopping center. The amounts specified for leasehold improvements and security deposits on a lease and rent are based on our business experience. These costs depend on the size, condition, and location of the leased premises, and the costs the landlord assumes. These costs include the first three month's rent and security deposit. You may hire any party for this assistance or may conduct site selection yourself. This cost of leasehold improvements will vary widely depending upon the size and condition of the premises, existing improvements, and if the landlord gives any construction allowances. The amounts paid for lease rent and deposits are generally nonrefundable.



3. The difference between the low and high ranges for equipment and supplies is due to the shipping distances, price differences between suppliers and the quantity needed. You may purchase or lease original equipment and supplies, signs and opening inventory meeting our standards from any approved source. This includes \$900 for one Unit or \$2,700 for the Three Pack Option that you must pay us for installation for the Center Management software system and the startup cost, everything needed to equip massage rooms, front desk and break room computer systems, lobby furniture, break room furniture, art, lotions, aromatherapy and all supplies needed to do massage. The amount for beginning inventory would be for lotions, topical analgesics, and aromatherapy oils for resale. A Center Management Software Fee of \$119 per week (or \$1,428 for 3 months) will also be debited from your account for use of the LaVida Massage software. Center Management Software Fee is uniformly charged all franchisees and is nonrefundable.
4. This cost of leasehold improvements will vary widely depending upon the size and condition of the premises, existing improvements, and if the landlord gives any construction allowances. The amounts paid for leasehold improvements are generally nonrefundable.
5. Certain states require that you file and post bond if it is determined that the Center is considered a health spa. The amounts paid the states are generally nonrefundable.
6. This item estimates the travel and living expenses, including airfare for two employees to attend the initial training described in Item 11 of this Disclosure document. This does not include compensation for your employees during the time they are attending training. Unless you purchase travel insurance, the amounts paid for travel and living expenses are general not refundable.
7. The Miscellaneous Opening Costs are our best estimate of the costs and deposits for and installation of telephones, deposits for gas, electricity, and related items. These are paid as incurred to various utilities and suppliers. We estimate that annual insurance premiums for a Center range from \$5,000 to \$15,000. However, this cost may be significantly higher depending on the state coverage requirements, Center location and your loss history. The amounts paid for Opening Costs are generally nonrefundable.
8. This item estimates your initial startup expenses for 6 months. This item does not include ongoing inventory purchases, royalty or advertising payments or the cost of any financing interest or amount of debt service obligation. Your costs will depend on the following factors: how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period. The additions amounts paid are generally nonrefundable.
9. We relied on our business experience to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. The estimate does not include any finance charge, interest or debt service obligation. These estimates could be substantially higher in your territory. We do not offer financing for any of these fees (See Item 10 in this disclosure document).
10. This fee is non-refundable. This fee is further described in Item 5 of this disclosure document. The Three Pack Option Agreement ("TOA") provides you the option to open three LaVida Massage Centers. You will have to sign a Single Unit Franchise Agreement for each of your Centers that you open. You will incur all of the costs listed under the Fees for each Single Unit that you open, except that you will not incur any additional Initial Franchise Fees for each Center you open under the TOA. The Fee for the TOA pays for all of the Initial Franchise Fees for the three Centers opened under the option. We do not offer financing for this fee (See Item 10 in this disclosure document).

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

### **Required Purchases**

You must purchase massage tables, massage oils, lotions, and other massage products that meet our standards to properly operate a Center, as well as LaVida Massage branded products and gift cards.

### **Required and Approved Suppliers**

You must purchase gift cards, gift card holders, a core list of LaVida Massage branded retail products, and opening signage from LVM Products, INC., our affiliate and an approved supplier of the items mentioned above along with print materials, supplies, other retail products, and uniforms. Our President, Peggy Davis, and our Secretary, Mark Davis, both own interest in LVM Products, INC. If your center offers skincare services, you must purchase skincare supplies, including but not limited to, professional backbar and retail products, from Dermalogica, INC., an approved supplier of skincare products. You must purchase background check services from Crimcheck. We will give you a list of any additional approved suppliers before you begin operating your business. You must use the computer equipment, operating software and communication equipment (collectively, the "Computer System") that we specify from time to time and you must obtain the Computer System, software licenses, maintenance and support service and other service related to the Computer System from the suppliers we specify. Currently, you must use and purchase the following hardware or hardware that is comparable to the following minimum requirements: 3-4 Computers with 8GB RAM, 1.00 GHZ processor, 32-bit operating system x32 processor, 17" flat panel monitors, Magtek USB Magnetic Card Swipers, WDC 5000 Cash Drawer Printer Interface, Star Microtronics TSP143IIIU USB Thermal Receipt Printer, Multi-Function scanner and printer combo.

We estimate that the proportion of franchisee purchases and leases of goods and services from approved suppliers or of products that meet your specifications to be approximately 70% of all the purchases and leases in establishing their Franchised Business and approximately 5% to 10% of their ongoing costs of operating their Franchised Business.

### **Approval of Alternative Suppliers**

If you wish to purchase or lease items we have not approved, you may propose a request through us. Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may examine the facilities of any approved supplier or distributor, including the commissary and we may investigate the ability of the supplier to provide materials that meet our specifications. We will advise you within 30 days whether any item meets our approval. We may charge you for our reasonable expenses in evaluating any proposed item and evaluating the commissary. The number of suppliers of any item may depend on the availability of these items and whether suppliers manufacture items meeting our specifications. We may impose reasonable limitations on the number of approved suppliers or distributors of any product. As noted, we or our affiliate may be an exclusive supplier of certain products. Approval of a supplier or distributor may be conditioned on delivery schedule and service. In addition, your ability to purchase from other suppliers, including those who sell to us or our affiliates, depends on factors including suppliers' willingness to sell to you and the availability of various products that meet our standards. We will notify you in writing if we determine to revoke approval of a previously approved supplier. We do not publish criteria for supplier approval.

### **Revenue from Franchisee Purchases**

In 2022 LVM Products, Inc., which Peggy Davis, and Mark Davis own interest in, received \$319140 in revenue from the sale of goods or services to our franchisees. As a result of the sale to franchisees of purchases and leases of products and services in calendar year 2022, we derived \$438,726 or 22% of our total revenue of \$1,920,746. We may receive rebates of 1-2% from some suppliers based on the volume purchased from the supplier. The rebates are based on purchases from all Centers in the system, which includes affiliate Centers and your Centers. We use those rebates to reduce expenses for the services we provide to you, for branding purposes, website development and product development.

## **Insurance**

Throughout the term of your Franchise Agreement, you shall maintain in effect at all times policies of insurance in the minimum requirements set for below at your sole cost and expense and provide us with proof of coverage on demand.

Bodily Injury and Property Damage. Comprehensive general liability insurance and umbrella insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Center, containing minimum liability protection of One Million Dollars (\$1,000,000) combined single limits per occurrence, and Two Million Dollars (\$2,000,000.00) in the aggregate (unless greater amounts are required by your landlord, local governmental authority, etc.) with a maximum deductible of One Thousand Dollars (\$1,000.00) per claim.

Workers' Compensation. Workers' Compensation and employer's liability insurance as required by law.

Auto Insurance. Comprehensive and collision auto liability insurance, on vehicles being used by the franchised business, with deductibles not to exceed One Thousand Dollars (\$1,000) but in no instance less than One Million Dollars (\$1,000,000) combined single limits for bodily injury and property damage.

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

Risk Replacement Coverage. All risk replacement cost coverage.

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

## **Cooperatives**

We do not have any purchasing or distribution cooperatives.

## **Negotiated Prices**

We attempt to negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees. The arrangements include special contract pricing, volume discounts and specific discounts. We cannot guarantee that any special pricing or discounts will be available in a particular market.

## **Material Benefits**

We do not provide any material benefits to you if you buy from the sources we approve.

## ITEM 9: FRANCHISEE’S OBLIGATIONS

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

Obligation		Section in Agreement	Disclosure Document Item
<b>a</b>	Site selection and acquisition/lease	Sections II(A), V(A)	Items 6, 7, and 11
<b>b</b>	Pre-opening purchases/leases	Sections V(B)(G)(K)	Items 6,7, and 8
<b>c</b>	Site development and other pre-opening requirements	Sections V(C-E)	Items 6, 7 and 11
<b>d</b>	Initial and ongoing training	Sections VI	Items 6, 7 and 11
<b>e</b>	Opening	Section V(F)(K), X(A)	Item 11
<b>f</b>	Fees	Sections IV, VI(A)(C), XIV(F)(G), XXI (A), XXII(L)	Items 5, 6 and 7
<b>g</b>	Compliance with standards and policies/Operations Manual	Sections VII(A)(B)(P)	Items 8, 11, and 16
<b>h</b>	Trademarks and proprietary information	Sections VII(B-D) (H) (K), XV, XVII(A(3)(7))	Items 13 and 14
<b>i</b>	Restrictions on products/services offered	Section VIII	Items 8, 11 and 16
<b>j</b>	Warranty and customer service requirements	Not Applicable	Not Applicable
<b>k</b>	Territorial development and sales quotas	Section II	Item 12
<b>l</b>	On-going product/service purchases	Section VII(A)	Items 6 and 8
<b>m</b>	Maintenance, appearance and remodeling requirements	Sections V(I)(M), VII(E)	Item 6
<b>n</b>	Insurance	Section IX	Items 6, 7 and 8
<b>o</b>	Advertising	Section X(A)(C-G)	Items 6, 7 and 11
<b>p</b>	Indemnification	Section XI	Item 6
<b>q</b>	Owner's participation/ management/ staffing	Sections VII(G-I)	Items 11 and 15
<b>r</b>	Records/reports	Sections XII, XIII	Items 6 and 11
<b>s</b>	Inspections/audits	Sections VI(F), XIII(B)	Item 6 and 11
<b>t</b>	Transfer	Section XIV	Item 17
<b>u</b>	Renewal	Section III(B)	Item 17

Obligation		Section in Agreement	Disclosure Document Item
v	Post-termination obligations	Section XX	Item 17
w	Non-competition covenants	Section XVI	Item 17
x	Dispute resolution	Section XXI(B)	Item 17

## ITEM 10: FINANCING

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

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

**Except as listed below, LaVida Massage Franchise Development Inc., is not required to provide you with any assistance.**

### Pre-Opening Assistance

Before you open your Center, LMFD will:

- (1) Approve a site that meets our requirements. We shall approve or disapprove of the site within 30 days after our receipt of the materials. When reviewing the site, we will consider demographics including but not limited to, population, growth potential, competition, and traffic patterns (Franchise Agreement, Section V.A.)
- (2) Approve a lease for the site that meets our requirements. (Franchise Agreement, Section V.B.)
- (3) Provide you with construction standards and layouts for the site design. Your site must meet all local zoning requirements and must obtain all necessary permits. (Franchise Agreement, Section V.)
- (4) Provide you with standards for authorized products and services offered, required equipment, fixtures, furniture, signs and decorating required. We do not deliver or install equipment, fixtures, furniture, signs and decorating for your site. You must purchase a Startup Package that includes massage lotion/oil, gift cards, in-center signage, items to be sold as retail products, and other items from LVM Products, INC. The Startup Package is delivery to you, but not installed. (Franchise Agreement, Sections V.D. – V.L.)
- (5) Provide you with the designated approved suppliers as discussed in Item 8 of this disclosure document. (Franchise Agreement, Section VIII.)

We estimate that there will be an interval of between one to eight months between your submission of application and the opening of your Center. This interval will depend on the location and condition of the site. You must open your Center for business within 8 months after signing the Franchise Agreement unless we agree otherwise. If you do not secure a site for your Center that we approve or you and we do not agree on a site for your Center within 8 months after signing the Franchise Agreement, the franchise agreement may be terminated, and the franchisee's initial fee will be forfeited. (Franchise Agreement, Section V.F.)

We may but are not obligated to provide you with assistance to ensure that your Site conforms to local ordinances and building codes or obtain any required permits for construction or remodeling. We generally do not own or lease the premises or Site to franchises for the operation of the Franchised Business.

### **Post-Opening Assistance**

During the operation of the franchised business, LMFD will:

- (1) Conduct research and development on products, services and standards, providing you with information when available. (Franchise Agreement, Section VII.N.)
- (2) Establish maximum prices and assist in setting prices that competitively compare to your area. (Franchise Agreement, Section VII.J.)
- (3) Conduct periodic inspections of your Center and provide you operational assistance and guidance based on the inspections and reports. (Franchise Agreement, Section VI.F.)

### **Advertising**

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

You cannot engage in any advertising activities directly outside of the Designated Territory.

Under the Franchise Agreement, you agree to spend a minimum sum equal to a minimum of twenty-five hundred dollars (\$2,500) per month for the first twenty-four (24) months in business and (4%) of gross sales after twenty-four months on local advertising, branding and promotional programs to enhance the reputation of your business within the Designated Territory. You must use marketing and creative assets that we provide to you. Any use of advertising material other than that provided by us is strictly prohibited, unless you have prior written approval.

At this time, there are no regional cooperative advertising funds or advertising councils. However, we retain the right to establish regional cooperative advertising funds and advertising councils as we see fit, there are no limits on our rights to do so.

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

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

We will account for the Cooperative Advertising Fund separately from other funds and not use the Cooperative Advertising Fund for any of our general operating expenses, except to compensate the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering preparing

advertising, promotion and branding materials, and collecting and accounting for Cooperative Advertising fund contributions. The Cooperative Advertising Fund will not be our asset. The Cooperative Advertising Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Cooperative Advertising Fund or any other reason. The Cooperative Advertising Fund may spend in any fiscal year more or less than the total Cooperative Advertising Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Any unspent Cooperative Advertising Fund contributions from the previous year are rolled over into the following year. We will use all interest earned on Cooperative Advertising Fund contributions to pay costs before using the Cooperative Advertising Fund's other assets. We will prepare an annual, unaudited statement of Cooperative Advertising Fund collections and expenses and give you the statement upon written request. We may incorporate the Cooperative Advertising Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this subsection.

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

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

In 2022, the Cooperative Advertising Fund collected \$261548.80 and had expenditures as follows: 13% internet advertising or search engine optimization, 2% Promotional merchandise (coffee mugs, candy jars, shirts, or other items bearing your trademarks), 24% Marketing Software, 23% Creative, 10% Website, and 27% for administration expenses. No percentage of funds were used to solicit new franchise sales.

For each of our company-owned locations (if any), we will contribute to the Co-op Advertising Fund on the same basis as assessments required of comparable franchises within the System. Franchisees who contribute to the fund may obtain a copy of the fund's unaudited financial statements after April 30th of each year upon written request to us. We do not use any National Advertising Fund dollars for soliciting new franchise sales. (Sections X of the Franchise Agreement)

### **Computer System**

You agree to use in operating the Center the computer equipment, operating software and communication equipment (collectively, the "Computer System") that we specify from time to time. You must obtain the Computer System, software licenses, maintenance and support service and other service related to the

Computer System from the suppliers we specify. You must purchase the following hardware or hardware that is comparable to the following minimum requirements: 3-4 Computers with 8GB RAM, 1.00 GHZ processor, 32-bit operating system x32 processor, 17" flat panel monitors, Magtek USB Magnetic Card Swipers, WDC 5000 Cash Drawer Printer Interface, Star Microtronics TSP143IIIU USB Thermal Receipt Printer, Multi-Function scanner and printer combo. We estimate the cost of this hardware to be under \$3,000. You must purchase basic accounting software and word processing software. We estimate the cost of this software to be \$500. You must also purchase and use our web-based appointment/customer Center management software ("Center Management Software). We estimate the initial cost of this along with installation to be \$900. You will be required to supply the maintenance and support of all your hardware. We will provide on-going maintenance and support for the Center Management Software at a cost of \$119 per week. We are currently the only supplier of the Center Management Software.

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

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

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

We will have the right to electronically access your computer system and all your records on the computer system, There are no contractual limits as to the franchisor's access to franchisee's data.

**Operating Manual**

We shall loan you a copy of our operating manual that contains mandatory and suggested specifications, standards, and procedures. This manual is confidential and remains our property. (Franchise Agreement, Section VII.B.) A copy of the table of contents of our Operations Manual is attached as Exhibit B to this disclosure document. The Operations Manual has approximately a total of 316 pages.

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of Training On-the-Job	Location
Welcome	1	0	Brighton, MI



<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of Training On-the-Job</b>	<b>Location</b>
Company Contacts	.5	0	Brighton, MI
LaVida Concept	6	0	Brighton, MI
Pre-Opening	2.5	0	Brighton, MI
Staff Management	1.5	2	Brighton, MI
Suppliers	1.5	0	Brighton, MI
Daily operations	3	5	Brighton, MI
Center Management Software	5	8	Brighton, MI
Other Systems	5	3	Brighton, MI
Center Management	5	10	Brighton, MI
Branding	4	0	Brighton, MI
Administration	2	4	Brighton, MI
Retail	3	2	Brighton, MI
Center Opening Assistance	0	40	Location of franchise

Two weeks before opening the Center, at least one owner must complete all training required to operate the Center. All training, other than your on-site training, will be held at times designated by us in Brighton, Michigan and must be successfully completed to Franchisor's satisfaction. The Initial Training is free for all Franchise owners and up to 2 employees. You must pay for travel, living expenses and any other costs incurred during the training for attendees. Thereafter, we may charge a fee for attendance of the initial training for new and replacement managers. Our current fee for a replacement and new employees is \$250 per attendee (Franchise Agreement, Section VI).

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

Our current training consists of providing you with up to 10 days of training by our trainers at our training Center in Brighton, Michigan prior to your opening. Training is not scheduled regularly but will be offered to you before the opening of your Franchised Business. Mark Davis oversees our training programs. He has worked with us since 2009 and has more than 10 years' experience in the subjects taught. We will also provide up to five business days of training and oversight by LaVida Massage professionals at your location prior to your grand opening. (Franchise Agreement, Section VI). There is no additional charge for the training other than the initial Franchise Fee.

## ITEM 12: TERRITORY

You will be granted by us an exclusive territory with a minimum area of an 8-minute driving radius. Your territory shall be approved by us based upon population, growth potential, competition, and traffic patterns. You may only sell and accept orders from your Center. You may not conduct the Center at any other site than the approved location. If you decide to relocate your Center, you must receive prior written approval by us based upon availability of the territory, approval of site location, and if the build-out meets current specifications. We will not operate stores or grant franchises for a similar or competitive business within your area. You do not have any options, rights of first refusal, or similar rights to acquire additional franchises.

You may only advertise, solicit, and offer to sell within your Territory unless you have our prior written consent. You may not solicit or accept orders from consumers outside your Territory without our prior consent. You may not engage and you have no right to use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to solicit, make or accept sales outside your Territory without prior written consent.

We and our affiliates retain all our respective rights and discretion with respect to the LaVida Marks, the System, and LaVida Massage Centers anywhere in the world and to engage in any other business, including the right to:

- (a) sell any products or services under the LaVida Marks or under any other trademarks, service marks or trade dress, through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing to customers located anywhere, including in your territory in which case we do not pay you any compensation.
- (b) operate, and grant others the right to operate LaVida Massage Centers at locations and on terms and conditions we deem appropriate, outside of your territory.
- (c) operate, and grant others the right to operate Centers identified by trademarks, service marks, or trade dress, other than the Licensed Marks, that do not sell the same or similar goods or services under the same or similar trademarks or service marks, under terms and conditions we deem appropriate. Currently, we do not have any other Licensed Marks.


Continuation of your territory does not depend on your achieving a certain sales volume or market penetration. Only the mutual written agreement of the parties may alter your territory.

### **Three Pack Option Agreement:**

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

### ITEM 13: TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use our trademark and service marks to operate the Center (the "Marks"). The Marks are owned by us. The primary service mark is a LAVIDA MASSAGE design.

Mark	Registration Number	Registration Date	Register
	6455834	August 17, 2021	Principal
LAVIDA MASSAGE	7016824	April 4, 2023	Principal

We have filed all required affidavits. No registration renewals have been filed or required at this time.

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

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

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor is there any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks. There are no other agreements currently in effect that significantly limit our right to use or license the use of the Marks that are material to the franchise. We do not actually know of either superior prior rights or infringing uses that could materially affect a franchisee's use of the Principal Marks in any state.

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

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

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

#### **ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

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

We may, at our sole discretion, may modify, substitute, or discontinue use of any Copyright Materials, You must immediately cease using such Copyright Materials when directed by us in writing. We have no obligation to reimburse you for any expenditure made to modify or discontinue the use of any Copyright Materials, or to adopt new Copyright Materials. There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. There are no infringing uses known to us which could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights.

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

We may require you or any approved supplier to sign a confidentiality agreement to protect the propriety of our information.

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

You must at all times faithfully, honestly, and diligently perform your contractual obligations. System Standards may regulate the staffing levels and employee qualifications, training, dress, and appearance of the Center. We do not require that you personally participate full-time in the day-to-day operation of the Center, but we do recommend it, and at a minimum, you must devote substantial and continuing efforts to the operation of the Center.

If you do not participate in the daily operations, the Center must be directly supervised “on-premises” by a Designated Manager who has successfully completed our training program. If you have a Designated Manager operate your Center, you must still make sure that the Center is operated in compliance with the terms of your Franchise Agreement, the Operations Manual, and our System Standards. If you replace the Designated Manager, the new Designated Manager must complete our training program, at your expense, within 60 days after being hired. You must keep us apprised of the Designated Manager’s identity at all times. The Designated Manager need not have an equity interest in the Center but must sign a written

agreement (attached as Exhibit \_H) to preserve confidential information, including the covenant not to compete.

If you are a corporation, limited liability company, or partnership, your owners must personally guarantee your obligations under the Franchise Agreement and agree to be bound personally by every contractual provision, whether containing monetary or non-monetary obligations, including the covenant not to compete. This “Guaranty and Assumption of Obligations” is part of the Franchise Agreement. If you are a corporation, limited liability company, or partnership, we do not require that franchisee’s spouse to guarantee the performance of the franchisee. If we do not require one of your owners to sign the full Guaranty, that owner still must comply with all non-monetary obligations, including the covenant not to compete, as if he or she were the franchise owner.

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

We require you to offer and sell only those goods and services that have been approved. (See Item 9.)

You must offer all goods and services that we designate as required for all franchisees. These required goods and services are massage services, massage enhancements, retail products, memberships, and gift cards. Supplies, equipment, inventory, and other materials must come from approved suppliers. (See Item 8). You may only advertise, solicit, and offer to sell to customer within your Territory unless you have our prior written consent. You may not solicit or accept orders from consumers outside your Territory without our prior consent.

We have the right to add additional approved services that a franchisee is required to offer. There are no limits on our right to do so.

We also designate some goods and services as optional for qualified franchisees. Current optional services are skincare services, waxing, and other body treatments. To offer optional goods or services, you must be in substantial compliance with all material obligations under the Franchise Agreement and meet set performance indicators. In addition, we may require you to comply with other requirements, such as training, marketing, or insurance, before we will allow you to offer certain optional services.

If we notify you to discontinue a good or service, you must immediately comply. We may periodically establish maximum prices for goods and services that you offer at your Center, if we do so you may not exceed this price, but you may charge any lower price you determine.

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

**THE FRANCHISE RELATIONSHIP**

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

	Provision	Section in Franchise Agreement	Summary
a	Length of franchise term	Section III(A)	10 years

Provision		Section in Franchise Agreement	Summary
<b>b</b>	Renewal or extension of the term	Section III(B)	You may renew for additional ten (10) year terms, subject to (c) below.
<b>c</b>	Requirements for franchisee to renew or extend	Section III(B)	“Renewal” means that you may, at your option, renew your Franchise for unlimited additional ten (10) year terms provided that at the end of each 10-year term you: : Provide written notice, you are not in default of any provision of the Franchise Agreement, if you execute the then-current form of the Franchise Agreement, remodel the Franchise Location with our then current standards, attend and complete a retraining program, and pay a renewal fee of twenty-five percent (25%) of our then-current franchise fee. The franchisee may be asked to sign an agreement with materially different terms and conditions from the original franchise agreement.
<b>d</b>	Termination by franchisee	Section XIX	If LMFD fails to materially comply with our material obligations under the Franchise Agreement and fails to cure such failure within ninety (90) days after receipt of notice from you (subject to state law).
<b>e</b>	Termination by franchisor without cause	Not Applicable	Not Applicable
<b>f</b>	Termination by franchisor with cause	Section XVIII(A-B)	We may terminate the Franchise Agreement if you default.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
<b>g</b>	"Cause" defined – curable defaults	Section XVIII(B)	You can avoid termination of the Franchise Agreement if you cure a default arising from your failure to comply with mandatory specifications of the Franchise Agreement: Default under any agreement between you and us, or under your lease agreement, any assignment transfer or sublicense of the Franchise Agreement, your right to occupy the Center is lost and another location is not found within ninety (90) days, failure to make timely payments, failure to comply with all the terms of the Franchise Agreement, failure to open your center within 8 months of executing the Franchise Agreement, failure to submit reports or financial data, a petition to file bankruptcy is filed, real or personal property is levied by any sheriff, marshal, or constable, failure to decorate and equip your Center, failure to obtain insurance, failure to complete appropriate training for yourself or manager.
<b>h</b>	"Cause" defined – non-curable defaults	Section XVIII(A)	We have the right to terminate the Franchise Agreement without giving you the opportunity to cure if: you are adjudicated as bankrupt or insolvent, you make an assignment for the benefit of creditors, you are convicted of a felony, you repeatedly fail to comply with Franchise Agreement or other agreements, you abandon, fail, or refuse to operate your Center, you understate your sales, you commit any act which impairs Goodwill, you commit an act of impropriety with a client, you made any misrepresentation or omission on initial application or you do not complete initial training.

<b>Provision</b>		<b>Section in Franchise Agreement</b>	<b>Summary</b>
<b>i</b>	Franchisee's obligations on termination/non-renewal	Section XX	If the Franchise Agreement is terminated or not renewed, you must: cease to operate, cease using trade secrets, cease using Marks, slogans, devices, proprietary information, or anything that associated franchisee with franchisor, change or transfer all telephone numbers and other public information and directory listings, cancel or transfer all domain names, redecorate the Center, pay all sums due from you at time of termination.
<b>j</b>	Assignment of contract by franchisor	Section XIV(A)	There are no restrictions on our right to assign our interest in the Franchise Agreement.
<b>k</b>	"Transfer" by franchisee - defined	Section XIV(B)	Transfer includes of ownership in the franchise, the Franchise Agreement, the Center, Assets, or franchisee entity.
<b>l</b>	Franchisor approval of transfer by franchisee	Section XIV	You may not transfer your interest in any of the items listed in (k) above without our approval of transferee and prior written consent.
<b>m</b>	Conditions for franchisor approval of transfer	Section XIV	We will consent to a transfer if: You are not in default of any provision of the Franchise Agreement, you are in full compliance of all provisions of the Franchise Agreement, you are current with all accounts, assignee meets all requirements of Franchisor with respect to applicants for new franchises, assignee is properly trained by us, full payment of transfer fee is made, our then current Franchise Agreement is executed.
<b>n</b>	Franchisor's right of first refusal to acquire franchisee's	Section XIV(E)	We may match offer of the terms and conditions of the proposed sale.
<b>o</b>	Franchisor's option to purchase franchisee's business	Section XX(E)	We have the option to purchase the leasehold improvements, equipment, and tangible assets of the Center at a price equal to the depreciated cost thereof, based on a straight line, sixty (60) month amortization period.



Provision		Section in Franchise Agreement	Summary
<b>p</b>	Death or disability of franchisee	Section XIV(G)	In the event that you die or are permanently disabled your personal representative agrees to: Apply for the right to continue to operate the franchised business within six (6) months of the event, and transfer interest into someone approved to operate franchised business.
<b>q</b>	Non-competition covenants during the term of the franchise	Section XVI(A)	You, your partner or venturer, who, individually or collectively through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in such venture or partnership are prohibited from: Engaging or participating in any interest in a massage business or salon that offers massage services, use our system concept in any concept except operation of your LAVIDA MASSAGE franchise, acquire financial interest that could have economic influence over the business.
<b>r</b>	Non-competition covenants after the franchise is terminated or expires	Section XVI(A)	For two (2) years after the termination or expiration of the Franchise Agreement, regardless of the cause of termination, you are prohibited from: engaging or participating as an employee, consultant, agent, or owner, alone or with any other person or entity with any business offering massage services within thirty (30) miles of the Center that you operated or any other LaVida Massage Center.
<b>s</b>	Modification of the agreement	Section VII(B), XXIII(D)	The Franchise Agreement cannot be modified unless in writing signed by our authorized representative and your authorized representative. Generally, no modifications will be made. Operating manuals are subject to change as is deemed advisable by us.
<b>t</b>	Integration/merger clause	Section XXIII(D)	Only the terms of the Franchise Agreement are binding (subject to applicable state law). Nothing in the agreements or related agreements is intended to disclaim the representations franchisor made in the Franchise Disclosure Document.

Provision		Section in Franchise Agreement	Summary
<b>u</b>	Dispute resolution by arbitration or mediation	Section XXI(B)	Except with respect to matters for which we believe it necessary to seek equitable relief, at our option all claims or disputes between you and us must be submitted first to mediation in Brighton, Michigan unless both parties agree otherwise, subject to state law.
<b>v</b>	Choice of forum	Section XXI(E)	All disputes must generally be mediated or submitted to arbitration in Brighton, Michigan, subject to state law.
<b>w</b>	Choice of law	Section XVIII(N)	Michigan law applies, subject to applicable state law.
<b>x</b>	Other	Not Applicable	Not Applicable

### ITEM 18: PUBLIC FIGURES

We do not use any public figure to promote our franchise.

### ITEM 19

#### FINANCIAL PERFORMANCE REPRESENTATIONS

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

#### Franchised Centers

The following tables provide historical financial performance representations for the past three years for franchised centers. The information provided expresses **Gross Revenue** – Gross revenue numbers are based off each centers’ total cash sales revenue excluding sales tax and tips for the timeframe being reported.

**Table 1** - The data shown here is reflective of the year January 1, 2022 through December 31, 2022, for the 45 operational franchise centers that were open as of December 31, 2022, for more than 12 months and excludes three (3) franchise centers that permanently closed during the reporting year and three (3) affiliate-owned centers. None of the centers have any particular characteristics that distinguish them from other centers.

1. Table 3 Top 10% of Centers is made up of five (5) LaVida Massage® centers with two (2) centers or 40% having at least achieved the average amount.
2. Table 3 Middle 80% of Centers is made up of thirty-five (35) LaVida Massage® centers with fifteen (15) or 44% having at least achieved the average amount.
3. Table 3 Bottom 10% of Centers is made up of five (5) LaVida Massage® centers with three (3) or 60% having at least achieved the average amount.

**Table 2** – The data shown here is reflective of the year January 1, 2021 through December 31, 2021, for the 45 operational franchise centers that were open as of December 31, 2021, for more than 12 months and excludes one (1) franchise center that permanently closed during the reporting year and three (3) affiliate-owned centers. None of the centers have any particular characteristics that distinguish them from other centers.

4. Table 1 Top 10% of Centers is made up of five (5) LaVida Massage® centers with three (3) centers or 60% having at least achieved the average amount.
5. Table 1 Middle 80% of Centers is made up of thirty-five (35) LaVida Massage® centers with eighteen (18) centers or 49% having at least achieved the average amount.
6. Table 1 Bottom 10% of Centers is made up of five (5) LaVida Massage® centers with two (2) centers or 40% having at least achieved the average amount.

**Table 3** – The data shown here is reflective of the year January 1, 2020 through December 31, 2020, for the 46 operational franchise centers that were open as of December 31, 2020, for more than 12 months and excludes one (1) franchise center that permanently closed during the reporting year and three (3) affiliate-owned centers. None of the centers have any particular characteristics that distinguish them from other centers.

7. Table 2 Top 10% of Centers is made up of five (5) LaVida Massage® centers with two (2) centers or 40% having at least achieved the average amount.
8. Table 2 Middle 80% of Centers is made up of thirty-six (36) LaVida Massage® centers with sixteen (16) centers or 44% having at least achieved the average amount.
9. Table 2 Bottom 10% of Centers is made up of five (5) LaVida Massage® centers with three (3) or 60% having at least achieved the average amount.

**Table 1 – 2022 Gross Revenue for Franchised Centers**

Centers	Average Gross Revenue	Median Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
Top 10% of Centers <sup>(1)</sup>	\$1,567,251	\$1,416,422	\$2,201,533	\$1,231,909
Middle 80% of Centers <sup>(2)</sup>	\$562,035	\$521,920	\$996,404	\$314,843
Bottom 10% of Centers <sup>(3)</sup>	\$264,145	\$279,691	\$296,498	\$227,663

**Table 2 – 2021 Gross Revenue for Franchised Centers**

Centers	Average Gross Revenue	Median Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
Top 10% of Centers <sup>(4)</sup>	\$1,331,000	\$1,474,465	\$1,511,391	\$971,847
Middle 80% of Centers <sup>(5)</sup>	\$565,959	\$537,699	\$865,603	\$304,898
Bottom 10% of Centers <sup>(6)</sup>	\$242,042	\$216,096	\$301,419	\$199,396

**Table 3 – 2020 Gross Revenue for Franchised Centers**

Centers	Average Gross Revenue	Median Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
Top 10% of Centers <sup>(7)</sup>	\$1,027,078	\$883,006	\$1,368,382	\$768,877
Middle 80% of Centers <sup>(8)</sup>	\$454,837	\$428,784	\$761,728	\$241,912
Bottom 10% of Centers <sup>(9)</sup>	\$205,879	\$215,830	\$230,514	\$166,435

### **Affiliate Centers**

The following table provides historical financial performance representations for affiliate-owned centers. The information provided expresses **Gross Revenue** – Gross revenue numbers are based off each centers total cash sales revenue excluding sales tax and tips for the timeframe being reported.

**Table 4** - The data shown here is reflective of the years 2020 through 2022 for the three (3) operational affiliated-owned centers. None of the centers have any particular characteristics that distinguish them from other centers.

- 10. Table 4 Year 2019 is made up of 3 affiliate-owned centers with one (1) center or 33% having at least achieved the average amount.
- 11. Table 4 Year 2021 is made up of 3 affiliate-owned centers with one (1) center or 33% having at least achieved the average amount.
- 12. Table 4 Year 2020 is made up of 3 affiliate-owned centers with two (2) centers or 67% having at least achieved the average amount.

**Table 4 – Yearly Gross Revenue for Affiliate-Owned Centers**

Year	Average Gross Revenue	Median Gross Revenue	Highest Gross Revenue	Lowest Gross Revenue
2022 <sup>(10)</sup>	\$504,417	\$426,892	\$681,412	\$404,947
2021 <sup>(11)</sup>	\$500,123	\$431,310	\$652,261	\$416,799
2020 <sup>(12)</sup>	\$358,474	\$360,960	\$417,870	\$296,591

### **Tables 5 and 6 – 2020 COVID-19 Impact: Centers Temporarily Closed by Order of the State**

As indicated by Tables 5 and 6 below, many franchised and affiliated centers were nonoperational for a portion of the year 2020 due to the COVID-19 pandemic and/or executive orders from applicable health and/or governmental authorities. Many centers temporarily ceased operations or otherwise operated on a limited basis during 2020 and/or observed voluntary closures, limited customer capacity and practiced social distancing. These restrictions may continue. You should conduct an independent investigation of the regulations and /or restrictions in your area.

As indicated in Table 5 below, one (1) LaVida Massage® franchised center permanently closed during the COVID-19 pandemic. LaVida Massage® opened no new franchise locations in 2020.

**Table 5- Temporary Closures of Franchised Centers**

		Cumulative duration of temporary closures in 2020	Number of Centers

State	Number of Centers Impacted	59 days or less	60 – 90 days	91 days or more	Closed Permanently in 2020
AR	2	2			
AZ	1	1			
CA	1			1	1
CO	2	2			
FL	1	1			
GA	10	9	1		
IL	2		2		
MD	1		1		
MI	13			13	
NC	4		4		
NY	2			2	
OH	1		1		
PA	1		1		
TX	2		2		
VA	2		1	1	
WA	2		1	1	
TOTAL	47	15	14	18	1

**Table 6 - Temporary Closures of Affiliate-Owned Centers\***

State	Number of Centers Impacted	Cumulative duration of temporary closures in 2020			Number of Centers Closed Permanently in 2020
		59 days or less	60 – 90 days	91 days or more	
MI	2			2	
NC	1	1			
TOTAL	3	1	0	2	0

\* We did not own or operate any company-owned centers, but our affiliates operated centers of the type being franchised.

Some centers have sold this amount. There is no assurance that you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Our center reports and other financial information that forms the basis of the financial performance representation are available upon reasonable request.

Other than the preceding financial performance representation, LaVida Massage® 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 center, however, we may provide you with the actual records of that center. 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 Peggy Davis, 7077 Fieldcrest Drive, Suite 600, Brighton, Michigan or by calling (248) 360-6157, or the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table #1**

System Wide Outlet Summary  
For Years 2020 to 2022

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2020	47	46	-1
	2021	46	48	+2
	2022	48	46	-2
<b>Company-Owned<sup>1</sup></b>	2020	3	3	0
	2021	3	3	0
	2022	3	3	0
<b>Total Outlets</b>	<b>2020</b>	<b>50</b>	<b>49</b>	<b>-1</b>
	<b>2021</b>	<b>49</b>	<b>51</b>	<b>+2</b>
	<b>2022</b>	<b>51</b>	<b>49</b>	<b>-2</b>

1. Company-owned outlets include affiliate-owned outlets.

**Table #2**

Transfers of Outlets from Franchisee’s to New Owners  
(Other than the Franchisor) For Years 2020 to 2022

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>GA</b>	2020	1
	2021	1
	2022	2
<b>MI</b>	2020	0
	2021	1
	2022	0
<b>NC</b>	2020	0
	2021	1
	2022	1
<b>PA</b>	2020	0
	2021	1

State	Year	Number of Transfers
	2022	0
<b>Total</b>	<b>2020</b>	<b>1</b>
	<b>2021</b>	<b>4</b>
	<b>2022</b>	<b>4</b>

**Table #3**

Status of Franchised Outlets  
For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
<b>AR</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>AZ</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>CA</b>	2020	1	0	0	0	0	1	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>CO</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>FL</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>GA</b>	2020	10	0	0	0	0	0	10
	2021	10	3	0	0	0	0	13
	2022	13	1	0	0	0	0	14
<b>IL</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	1	0	0	1
<b>MD</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
<b>MI</b>	2020	13	0	0	0	0	0	13

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	0	13
NC	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
NY	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
OH	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
VA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
WA	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Total	2020	47	0	0	0	0	1	46
	2021	46	3	0	0	0	1	48
	2022	48	1	0	1	0	2	46

**Table #4**

Status of Company-Owned Outlets  
For Years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
-------	------	--------------------------	----------------	--------------	--------------	--------------------------	-------------------------------------	------------------------



<b>MI</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>NC</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>Total</b>	<b>2020</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2021</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>
	<b>2022</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**Table #5**

Projected Openings  
As of December 31, 2022

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets In the Next Fiscal Year</b>
<b>CT</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>IN</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>3</b>	<b>0</b>

### **Current Franchisees**

Exhibit F is a list of names, addresses, and telephone numbers for our franchisees as of December 31, 2022.

### **Former Franchisee Contact Information**

Exhibit G is a list of names, city and state and business telephone numbers of franchisees who ceased doing business under the franchise agreement or had an outlet terminated, canceled, or not renewed within the last fiscal year or who has not communicated with the franchisor within ten (10) weeks of the Issuance date..

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

### **ITEM 21: FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit C are our unaudited financials as of March 31, 2023, and our audited, fiscal year end financials for 2022, 2021, and 2010. Our fiscal year ends on December 31.

### **ITEM 22: CONTRACTS**

The following agreements and other required exhibits are attached to this disclosure document in the pages immediately following:

Franchise Agreement  
Three Pack Option Agreement  
Confidentiality Agreement

### **ITEM 23: RECEIPTS**

The Receipt page is attached to the last page of this disclosure document. You must sign the receipt to acknowledge your receipt of this disclosure document.

**EXHIBIT A**

**STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>ADDRESS</b>	<b>PHONE</b>
California - Los Angeles	320 West 4th Street, Suite 750 Los Angeles, CA 90013-1105	213-576-7500
California - Sacramento	1515 K Street, Suite 200 Sacramento, CA 95814-4017	916-445-7205
California - San Diego	1350 Front Street, Room 2034 San Diego, CA 92101-3697	619-525-4233
California - San Francisco	71 Stevenson Street, Suite 2100 San Francisco, CA 94105-2980	415-972-8559
Hawaii	335 Merchant Street, Room 203 Honolulu, HI 9813-2921	808-586-2722
Illinois	500 South Second Street Springfield, IL 62706	217-782-4465
Indiana	302 W. Washington Street, Room E-111 Indianapolis, IN 46204	317-232-6681
Maryland	Office of the Attorney General, Securities Division 200 St. Paul Place, 20th Floor Baltimore, MD 21202-2020	410-576-6360
Michigan	670 Law Building Lansing, MI 48913	517-373-7117
Minnesota	85 7th Place East, Suite 500 St. Paul, MN 55101	612-296-4026
New York	Administrator: NYS Department of Law Investor Protection Bureau 28 Liberty St. 21 <sup>st</sup> FL New York, NY 10005  Agent for Service of Process: Secretary of State 99 Washington Avenue Albany, NY 12231	212-416-8222
North Dakota	600 East Boulevard Avenue, 5th Floor Bismarck, ND 58505	701-328-4712
Oregon	Labor & Industries Building Salem, OR 97310	503-378-4387
Rhode Island	1511 Pontiac Avenue Cranston, RI 02920	401-462-9587
South Dakota	445 East Capitol Pierre, SD 57501	605-773-4823
Virginia Agent for service of process	Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219	804-371-9733

State Administrator	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219	804-371-9051
Washington	150 Israel Road, SW Turnwater, WA 98501	360-902-8760
Wisconsin	345 W. Washington Ave., 4th Floor Madison, WI 53703	608-266-8557

**EXHIBIT B**  
**TABLE OF CONTENTS OF OPERATIONS MANUAL**

# Contents

<b>Chapter 1 - Introduction</b> .....	<b>5</b>
How to Use This Manual .....	5
Operations Manual Confidentiality Agreement .....	6
<b>Chapter 2 - Welcome to LaVida Massage</b> .....	<b>7</b>
Letter from the LaVida Massage Founder .....	7
History of LaVida Massage.....	8
LaVida Massage Executive Team .....	9
LaVida Massage Mission & Principles .....	11
<b>Chapter 3 - Support Resources</b> .....	<b>13</b>
Franchisee Support Team.....	13
<b>Chapter 4 - Pre-opening Checklist &amp; Obligations</b> .....	<b>14</b>
LaVida Massage New Franchisee Opening Checklist .....	14
Business Setup.....	15
Introduction to LaVida Massage Systems .....	16
Site Selection .....	17
Leasing .....	17
Credit Card Processing/Merchant Account.....	20
<b>Chapter 5 - Franchisee Training Requirements</b> .....	<b>21</b>
LaVida Massage Training .....	21
Additional Training.....	21
Biennial LaVida Massage National Conference .....	21
<b>Chapter 6 - LaVida Massage Staff</b> .....	<b>22</b>
A Word on Legal Compliance .....	22
The Hiring Process.....	22
Staffing Your LaVida Massage Franchise .....	23
Position Descriptions and Pay Scales .....	24
Managing Staff Performance.....	33
<b>Chapter 7 - Center Policies &amp; Best Practices</b> .....	<b>36</b>
Benefits of Service Standards .....	36
Planning and Organizational Considerations .....	36
Service and Courtesy to Guests .....	36
Location Inspections.....	36
Handling Typical Complaints and Problems .....	37
Employee Appearance and Hygiene .....	37
Hours of Operation .....	38
Pandemic/COVID-19 Policies & Procedures.....	38
<b>Chapter 8 - Center Operation and Maintenance</b> .....	<b>39</b>
General Housekeeping.....	39
<b>Chapter 9 - Center Furnishings, Computer System, Inventory, and Supplies</b> .....	<b>41</b>
Approved Vendors.....	41

Hardware/Software & Equipment .....	41
Center Management Software.....	42
Computers.....	43
Center Furnishings.....	44
LaVida Massage Retail Guide.....	46
<b>Chapter 10 - Administration.....</b>	<b>47</b>
Record Keeping .....	47
Accounting Services .....	50
<b>Chapter 11 - Reports, Audits &amp; Inspections .....</b>	<b>52</b>
Franchisee Reports.....	52
Records and Reports.....	52
<b>Chapter 12 - Marketing.....</b>	<b>53</b>
Marketing at LaVida Massage .....	53
Target Marketing with Selected Media.....	57
<b>Chapter 13 - Sales &amp; Pricing .....</b>	<b>58</b>
Sales Process.....	58
Referrals.....	61
Pricing and Fee Structures .....	62
Massage Modalities.....	62
<b>Chapter 14 - Insurance Requirements &amp; Risk Management.....</b>	<b>63</b>
General Insurance Coverage.....	63
Risk Management.....	65
Managing Risk at the Franchise Location .....	65
Franchise Site Security.....	65
<b>Chapter 15 - Corporate Structure and Financing .....</b>	<b>66</b>
Setting Up Your Entity.....	66
Types of Structures.....	67
Setting Up the New Corporation.....	70
Financing Arrangements .....	72
Financing Alternatives.....	72
<b>Chapter 16 - Trademarks &amp; Trade Secrets - Protection Policies.....</b>	<b>73</b>
Patents, Copyrights and Proprietary Information .....	73
Trademark Usage and Guidelines.....	73
Examples of Trademark Misuse.....	74
<b>Chapter 17 - Resale, Transfer, Renewal and Closing .....</b>	<b>75</b>
Conditions of Renewal .....	75
Continuation.....	75
Assignment or Transfer .....	76
Default "Termination" .....	78
<b>Chapter 18 - Expansion and Relocation Requirements .....</b>	<b>81</b>

Franchise Expansion, New Territory, Resale Purchase or Territory Expansion .....	81
Appendix - A.....	82
Appendix - B.....	83
Appendix - C.....	85
Appendix - D.....	86
Appendix - E.....	89
Appendix - F.....	90
Appendix - G.....	99
Appendix - H.....	101
Appendix - I.....	115
Appendix - J.....	130
Appendix - K.....	134
Appendix - L.....	142
Appendix - M.....	147
Appendix - N.....	157
Appendix - O.....	200
Appendix - P.....	228
Appendix - Q.....	233
Appendix - R.....	234



**EXHIBIT C**  
**FINANCIAL STATEMENTS**

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

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06/23/23

Accrual Basis

**LaVida Massage Franchise Development, Inc**  
**Profit & Loss**  
**January through March 2023**

	Jan - Mar 23
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Royalties	372,821.18
Services	23,276.32
Software Service Income	88,856.31
<b>Total Income</b>	484,953.81
<b>Cost of Goods Sold</b>	
Advertising/Marketing	9,116.25
COG Software	79,841.60
Consulting Services	44,217.67
Royalty Commission	42,046.68
<b>Total COGS</b>	175,222.20
<b>Gross Profit</b>	309,731.61
<b>Expense</b>	
Bank Service Charges	1,002.50
Casual Labor	721.81
Charitable Donations	5,000.00
Corporate Meetings	570.11
Credit Card Fees	740.00
Dues and Subscriptions	37.00
Employee Benefits	9,409.05
Insurance	2,153.99
Licenses and Permits	267.00
Maintenance	319.80
Mileage Reimbursement	326.23
Office Supplies	1,085.14
Payroll Expense - Officer Wages	24,538.44
Payroll Expense - Employee Wages	125,649.65
Payroll Expense - Taxes	13,535.42
Payroll Expenses	-6,926.97
Professional Fees	
Legal Fees	7,920.90
Professional Fees - Other	2,500.00
<b>Total Professional Fees</b>	10,420.90
Rent	14,100.00
Repairs	159.00
Software Fees	3,398.59
Taxes	
State	262.33
<b>Total Taxes</b>	262.33
Telephone	3,004.99
Training Expense	3,000.00
Travel & Ent	
Meals	388.81
Travel	36.67
Travel & Ent - Other	3,915.68
<b>Total Travel &amp; Ent</b>	4,341.16
Utilities	359.94
Vehicle Expense	
Gasoline	1,389.85
Vehicle Expense - Other	800.00
<b>Total Vehicle Expense</b>	2,189.85

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06/23/23

Accrual Basis

**LaVida Massage Franchise Development, Inc**  
**Profit & Loss**  
**January through March 2023**

---

	Jan - Mar 23
Total Expense	219,665.93
Net Ordinary Income	90,065.68
Other Income/Expense	
Other Income	
Advertising Income Fund	
Advertising Fund Expense	-28,360.99
Advertising Income Fund - Other	77,786.39
Total Advertising Income Fund	49,425.40
Interest Income	46.49
Total Other Income	49,471.89
Net Other Income	49,471.89
Net Income	<u>139,537.57</u>

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06/27/23

Accrual Basis

**LaVida Massage Franchise Development, Inc**  
**Balance Sheet**  
As of March 31, 2023

	Mar 31, 23
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Huntington 5237	537,457.93
Huntington 5455	35,656.32
TradeFirst	12,382.25
<b>Total Checking/Savings</b>	585,496.50
Accounts Receivable	
Accounts Receivable	877,017.14
Accounts Receivable-non current	136,148.45
<b>Total Accounts Receivable</b>	1,013,165.59
<b>Other Current Assets</b>	
Allowance for Doubtful Accounts	-9,750.00
Indeed Services	1,121.13
Note Receivable - Nora Harris	12,764.62
Note Receivable - Sherry	1,250.00
Undeposited Funds	553.07
<b>Total Other Current Assets</b>	5,938.82
<b>Total Current Assets</b>	1,604,600.91
<b>Fixed Assets</b>	
Furniture, Fixtures, Equipment	
~Furniture, Fixtures, Equipment	56,027.33
Furniture, Fixtures, Equip. Acc	-40,517.00
Furniture, Fixtures, Equipment - Other	6,193.57
<b>Total Furniture, Fixtures, Equipment</b>	21,703.90
Leasehold Improvements	
~Leasehold Improvements	95,476.22
Leasehold Improvements ~Accum	-11,853.00
<b>Total Leasehold Improvements</b>	83,623.22
Organizational Costs	
~Start-up Costs	2,175.00
Accumulated Amortization	-2,175.00
<b>Total Organizational Costs</b>	0.00
Transportation Equipment	
~Vehicle	104,411.99
Accum. Deprec. Trans. Equip.	-41,204.45
<b>Total Transportation Equipment</b>	63,207.54
<b>Total Fixed Assets</b>	168,534.66
<b>Other Assets</b>	
Google Ads	-272.77
Intercomp- LaVida Investments	80,732.42
Intercompany-LVM Products	-1,393.14
JH Long Term Loan	50,588.75
<b>Total Other Assets</b>	129,655.26
<b>TOTAL ASSETS</b>	<b>1,902,790.83</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
Current Liabilities	
Credit Cards	
American Express 91001	53,511.30

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06/27/23

Accrual Basis

**LaVida Massage Franchise Development, Inc**  
**Balance Sheet**  
As of March 31, 2023

	Mar 31, 23
Total Credit Cards	53,511.30
Other Current Liabilities	
Dental Insurance	81.69
FUTA Liability	416.07
Health Insurance Liability	1,925.57
Michigan Advertising Group	12,328.33
Michigan State Withholding	2,122.53
Michigan Unemployment Liability	1,010.31
Moen GC/Session Liability Acct	101.83
Payroll Liabilities	6,791.78
Support	10,000.00
Training	6,000.00
Total Other Current Liabilities	40,778.11
Total Current Liabilities	94,289.41
Total Liabilities	94,289.41
Equity	
Capital Stock	1,000.00
Retained Earnings	2,100,265.19
Shareholder Distribution	
Shareholder-Lovango	-30,436.17
Shareholder - Hickory Rental	-891.70
Shareholder Dist- Med Expenses	-5,983.54
Shareholder Distribution - Other	-394,989.93
Total Shareholder Distribution	-432,301.34
Net Income	139,537.57
Total Equity	1,808,501.42
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,902,790.83</b>



**LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
LaVida Massage Franchise Development, Inc.  
Brighton, Michigan

**Report on the Financial Statements**

We have audited the accompanying balance sheets of LaVida Massage Franchise Development, Inc. at December 31, 2022 and 2021, and the related statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of LaVida Massage Franchise Development, Inc. at December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Brent Davis CPA*

Brent Davis CPA, PC  
Kennesaw, Georgia  
May 15, 2023

**Audit | Tax | Advisory**

-1-



LAVIDA MESSAGE FRANCHISE DEVELOPMENT, INC.  
BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS:		
Cash and equivalents	\$ 518,732	\$ 632,444
Receivables - current portion	148,514	44,262
Other current assets	31,870	92,126
Total current assets	699,116	768,832
PROPERTY AND EQUIPMENT, net	132,054	73,378
RECEIVABLES, net of current portion	818,065	890,433
OTHER ASSETS:		
Right of use asset, net	38,577	-
Due to related party	79,171	-
Other assets	50,848	52,305
Total other assets	168,596	52,305
TOTAL	\$ 1,817,831	\$ 1,784,948

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 77,856	\$ 102,492
Accrued expenses	46,635	43,029
Operating lease liability, current maturities	37,011	-
Total current liabilities	161,502	145,521
Total liabilities	161,502	145,521
STOCKHOLDER'S EQUITY:		
Common stock, \$1 par value, 60,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	1,655,329	1,638,427
Total stockholder's equity	1,656,329	1,639,427
TOTAL	\$ 1,817,831	\$ 1,784,948

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
 STATEMENTS OF INCOME  
 FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES	\$ 1,920,746	\$ 2,161,781
COST OF REVENUES	719,681	727,976
GROSS PROFIT	1,201,065	1,433,805
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	849,480	1,205,150
INCOME FROM OPERATIONS	351,585	228,655
OTHER INCOME (EXPENSE):		
Other income	59,794	135,630
Interest expense	(6,616)	(524)
Gain on disposal of property and equipment	-	23,542
Total income (expense)	53,178	158,648
NET INCOME	\$ 404,763	\$ 387,303

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
 STATEMENTS OF STOCKHOLDER'S EQUITY  
 FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

	COMMON STOCK		RETAINED	TOTAL
	SHARES	AMOUNT	EARNINGS	STOCKHOLDER'S EQUITY
BALANCE AT DECEMBER 31, 2020	60,000	\$ 1,000	\$ 1,681,272	\$ 1,682,272
Stockholder's distributions	-	-	(430,148)	(430,148)
Net income	-	-	404,763	404,763
BALANCE AT DECEMBER 31, 2021	60,000	1,000	1,638,427	1,639,427
ASC 842 adjustment (1)	-	-	3,720	3,720
Stockholder's distributions	-	-	(391,581)	(391,581)
Net income	-	-	404,763	404,763
BALANCE AT DECEMBER 31, 2022	<u>60,000</u>	<u>\$ 1,000</u>	<u>\$ 1,655,329</u>	<u>\$ 1,656,329</u>

(1) - Beginning retained earnings restated due to inception adjustment at adoption of ASU 2016-02, Topic 842, *Leases*. Refer to Note ---- Leases for more information.

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 404,763	\$ 387,303
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from disposal from property and equipment	-	(23,542)
Gain from debt forgiveness - PPP loan	-	(135,630)
Depreciation	35,121	36,499
Bad debt expense	19,617	378,450
Change in operating assets and liabilities:		
Receivables	(31,884)	(28,847)
Other current assets	60,256	76,683
Due to related party	79,171	-
Other assets	(156,885)	(52,305)
Accounts payable	(24,636)	18,688
Accrued expenses	3,606	(7,949)
Operating lease liability	1,566	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	389,129	649,350
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(72,693)	(10,730)
NET CASH USED BY INVESTING ACTIVITIES	(72,693)	(10,730)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of PPP loan	-	135,630
Principal payments of long-term debt	-	(45,534)
Stockholder's distributions	(430,148)	(430,148)
NET CASH USED BY FINANCING ACTIVITIES	(430,148)	(340,052)
CHANGE IN CASH AND EQUIVALENTS	(113,712)	298,568
CASH AND EQUIVALENTS, BEGINNING OF THE YEAR	632,444	333,876
CASH AND EQUIVALENTS, END OF THE YEAR	\$ 518,732	\$ 632,444
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for-		
Interest	\$ 6,616	\$ 524
SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING AND FINANCING ACTIVITIES:		
Operating right-of-use asset at adoption, January 1, 2022	\$ 90,647	\$ -
Operating lease liability at adoption, January 1, 2022	86,297	-

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Nature of Business**  
LaVida Massage Franchise Development, Inc. (the Company) markets and sells franchise opportunities in message therapy services. The Company allows the use of its products, techniques and trademarks by franchisees through franchise agreements. The Company's business is derived in the United States.
- B. **Basis of Presentation**  
The Company prepares its' financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned rather than when paid by franchisees and expenses are recognized when incurred rather than when paid by the Company.
- C. **Estimates**  
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.
- D. **Cash and Equivalents**  
The Company considers accounts and short-term investments with maturities of three months or less to be cash equivalents.
- E. **Receivables**  
Receivables consist of advances and royalty fees due from franchisees.
- F. **Allowance for Doubtful Accounts**  
Bad debts are provided using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the year. Bad expense totaled \$19,617 and \$378,450 for the years ending December 31, 2022 and 2021, respectively.
- G. **Concentrations of Credit Risk**  
The Company grants credit to its franchisees during the normal course of business. The Company performs ongoing credit evaluations of its franchisees' financial condition and generally requires no collateral from its franchisees.

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Topic 842, *Leases*. This ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU affects any entity that enters into a lease, with some specified scope exemptions, and supersedes FASB ASC 840, *Leases*. The ASU has been adopted by the Company on January 2022. The Company elected the package of practical expedients permitted under the transition guidance within ASC 842, which includes not reassessing the lease classification of historical leases, the historical assessment of whether contracts are or contain leases, and determination of initial direct costs. At inception, the Company recognized \$90,647 of an operating right-of-use asset and \$86,927 of an operating lease liability, with the remaining \$3,720 recognized as an adjustment to beginning retained earnings.

I. Income Taxes

The Company has elected “S Corporation” status under the Internal Revenue Code, which provides that, in lieu of corporate income taxes, the stockholder is taxed on the Company’s taxable income.

J. Cash Flow Information

For the years ending December 31, 2022 and 2021, cash provided by operating activities includes payments of interest was \$6,616 and \$524 respectively.

The Company considers cash on hand and deposits in banks as cash and equivalents for purposes of the statements of cash flow.

K. Revenue Recognition

The Company collects royalties from each retail franchise based on a percentage of retail gross sales. The Company recognizes royalties as revenue when earned.

2. RECEIVABLES – CURRENT PORTION

Receivables – current portion consisted of the following at December 31, 2022 and 2021:

	2022	2021
Royalty fees	\$ 148,514	\$ 44,216

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

3. PROPERTY AND EQUIPMENT-NET

Property and equipment-net consisted of the following at December 31, 2022 and 2021:

	Estimated Life	2022	2021
Auto and truck	5 years	\$ 104,411	\$ 52,602
Leasehold improvements	10 years	105,166	69,187
Furniture and fixtures	7 years	54,854	60,200
Total		264,491	181,989
Less accumulated depreciation		132,437	77,997
Property and equipment-net		\$ 132,054	\$ 147,369

Depreciation expense related to property and equipment for the years ending December 31, 2022 and 2021 was \$35,121 and \$36,499 respectively.

4. RECEIVABLES – NON-CURRENT PORTION

Receivables-non-current portion consisted of franchise agreements signed during the year ended and in prior years. These fees are due from franchisees upon the completion of conditions as stated in the franchise agreement. The balance at December 31, 2022 and 2021 was \$818,065 and \$890,433, respectively.

5. PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (The CARES Act) was signed into law and included statutory language for the Paycheck Protection Program Loan (PPP Loan). The PPP Loan allowed for eligible businesses to receive a loan with an annual interest of 1.00% with the intention of forgiveness if the loan was used for purposes of employee payroll and other allowed expenses.

During the year ending December 31, 2021, the Company applied for and received a PPP Loan in the amount of \$135,630. This loan was fully forgiven and the Company recognized the forgiven loan amount as other income in the accompanying statements of income.

6. ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for the years ending December 31, 2022 and 2021 was \$40,181 and \$48,772 respectively.

LAVIDA MESSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2022 AND 2021

7. LEASE OBLIGATIONS

The Company leases its office building under an operating non-cancelable operating lease set to expire in August 2023. The Company has the option to renew the lease agreement for an additional three years following the expiration of the original lease. The lease is included as an asset in the accompanying balance sheets and represents the Company's right-to-use the underlying asset for the lease term. The Company's obligation to make lease payments is included as a liability in the accompanying balance sheets. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Because the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments. Future minimum lease payments for the remainder of the lease totals \$37,600 for the year ending December 31, 2023. Total rent expense for the years ending December 31, 2022 and 2021 was \$52,070 and \$56,400 respectively.

8. RELATED PARTY TRANSACTIONS

The following summarizes the related party transactions with stockholders:

Rent	\$	52,070
Due to related party		79,171

9. CONTINGENCIES

The Company is subject to claims and legal actions during the normal course of business. The Company believes such claims will not have a material impact on the financial statements.

10. VARIABLE INTEREST ENTITIES

LVM Products, Inc. and LaVida Investments, LLC are companies with common ownership which have been identified by management as variable interest entities (VIE) in accordance with FASB ASC 810, *Consolidation*. The Company has determined that LVM Products, Inc. and LaVida Investments qualify for exception from VIE guidance and will be excluded from the financial statements.

11. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events and transactions through May 15, 2023, which is the date the financial statements were available to be issued.

On February 9, 2023, the Company adopted a SIMPLE Individual Retirement Account Plan (Plan) that employees are eligible to participate in after meeting certain age and length of service requirements. The Plan provides for employee deferrals and a discretionary employer match as described in the Plan document.





**LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020**



125 Townpark Drive, Suite 300  
Kennesaw, Georgia 30144  
(770) 917-1670  
[brent@bdaviscpa.com](mailto:brent@bdaviscpa.com)

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
LaVida Massage Franchise Development, Inc.  
Brighton, Michigan

#### **Report on the Financial Statements**

We have audited the accompanying balance sheets of LaVida Massage Franchise Development, Inc. at December 31, 2021 and 2020, and the related statements of income, stockholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**


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

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

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

#### **Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of LaVida Massage Franchise Development, Inc. at December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
Brent Davis CPA, PC  
Kennesaw, Georgia  
April 22, 2022

**Audit | Tax | Advisory**

-1-

LAVIDA MESSAGE FRANCHISE DEVELOPMENT, INC.  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS:		
Cash and equivalents	\$ 632,444	\$ 333,876
Receivables - current portion	44,262	127,716
Other current assets	92,126	168,809
Total current assets	768,832	630,401
PROPERTY AND EQUIPMENT, net	73,378	111,912
RECEIVABLES, net of current portion	890,433	1,120,275
OTHER ASSETS	52,305	-
TOTAL	\$ 1,784,948	\$ 1,862,588

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ -	\$ 16,236
Accounts payable	102,492	83,804
Accrued expenses	43,029	50,978
Total current liabilities	145,521	151,018
LONG-TERM DEBT, net of current maturities	-	29,298
Total liabilities	145,521	180,316
STOCKHOLDER'S EQUITY:		
Common stock, \$1 par value, 60,000 shares authorized, 1,000 shares issued and outstanding	1,000	1,000
Retained earnings	1,638,427	1,681,272
Total stockholder's equity	1,639,427	1,682,272
TOTAL	\$ 1,784,948	\$ 1,862,588

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
 STATEMENTS OF INCOME  
 FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES	\$ 2,161,781	\$ 1,409,966
COST OF REVENUES	727,976	519,270
GROSS PROFIT	1,433,805	890,696
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,205,150	908,975
INCOME FROM OPERATIONS	228,655	(18,279)
OTHER INCOME (EXPENSE):		
Other income	135,630	134,104
Interest expense	(524)	(1,907)
Gain on disposal of property and equipment	23,542	-
Miscellaneous expense	-	(258)
Total income (expense)	158,648	131,939
NET INCOME	\$ 387,303	\$ 113,660

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
 STATEMENTS OF STOCKHOLDER'S EQUITY  
 FOR THE YEARS ENDING DECEMBER 31, 2020 AND 2019

	COMMON STOCK		RETAINED EARNINGS	TOTAL STOCKHOLDER'S EQUITY
	SHARES	AMOUNT		
BALANCE AT DECEMBER 31, 2019	60,000	\$ 1,000	\$ 1,775,618	\$ 1,776,618
Stockholder's distributions	-	-	(208,006)	(208,006)
Net income	-	-	113,660	113,660
BALANCE AT DECEMBER 31, 2020	60,000	1,000	1,681,272	1,682,272
Stockholder's distributions	-	-	(430,148)	(430,148)
Net income	-	-	387,303	387,303
BALANCE AT DECEMBER 31, 2021	<u>60,000</u>	<u>\$ 1,000</u>	<u>\$ 1,638,427</u>	<u>\$ 1,639,427</u>

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 387,303	\$ 113,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from disposal from property and equipment	(23,542)	-
Gain from debt forgiveness - PPP loan	(135,630)	(135,632)
Depreciation	36,499	36,056
Bad debt expense	378,450	138,634
Change in operating assets and liabilities:		
Receivables	(28,847)	(97,589)
Other current assets	76,683	121,130
Other assets	(52,305)	1,502
Accounts payable	18,688	(53,610)
Accrued expenses	(7,949)	(253,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	649,350	(129,383)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(10,730)	(599)
NET CASH USED BY INVESTING ACTIVITIES	(10,730)	(599)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of PPP loan	135,630	135,632
Principal payments of long-term debt	(45,534)	(17,135)
Stockholder's distributions	(430,148)	(208,006)
NET CASH USED BY FINANCING ACTIVITIES	(340,052)	(89,509)
CHANGE IN CASH AND EQUIVALENTS	298,568	(219,491)
CASH AND EQUIVALENTS, BEGINNING OF THE YEAR	333,876	553,367
CASH AND EQUIVALENTS, END OF THE YEAR	\$ 632,444	\$ 333,876
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for-		
Interest	\$ 524	\$ 1,907

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

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

LaVida Massage Franchise Development, Inc. (the Company) markets and sells franchise opportunities in message therapy services. The Company allows the use of its products, techniques and trademarks by franchisees through franchise agreements. The Company's business is derived in the United States.

B. Basis of Presentation

The Company prepares its' financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned rather than when paid by franchisees and expenses are recognized when incurred rather than when paid by the Company.

C. Estimates

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

D. Cash and Equivalents

The Company considers accounts and short-term investments with maturities of three months or less to be cash equivalents.

E. Receivables

Receivables consist of advances and royalty fees due from franchisees.

F. Allowance for Doubtful Accounts

Bad debts are provided using the allowance for doubtful accounts method based on historical experience and management's evaluation of outstanding receivables at the end of the year. Bad expense totaled \$378,450 and \$138,654 for the years ending December 31, 2021 and 2020, respectively.

G. Concentrations of Credit Risk

The Company grants credit to its franchisees during the normal course of business. The Company performs ongoing credit evaluations of its franchisees' financial condition and generally requires no collateral from its franchisees.

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Topic 842, *Leases*. This ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU affects any entity that enters into a lease, with some specified scope exemptions, and supersedes FASB ASC 840, *Leases*. The ASU is effective for the Company’s fiscal year beginning January 1, 2022. The Company is currently evaluating the effect that the standard will have on the financial statements.

I. Income Taxes

The Company has elected “S Corporation” status under the Internal Revenue Code, which provides that, in lieu of corporate income taxes, the stockholder is taxed on the Company’s taxable income.

J. Cash Flow Information

For the years ending December 31, 2021 and 2020, cash provided by operating activities includes payments of interest was \$524 and \$1,907 respectively.

The Company considers cash on hand and deposits in banks as cash and equivalents for purposes of the statements of cash flow.

K. Revenue Recognition

The Company collects royalties from each retail franchise based on a percentage of retail gross sales. The Company recognizes royalties as revenue when earned. At December 31, 2021 and 2020, the Company’s royalty receivables were \$44,262 and \$127,716 respectively.

2. RECEIVABLES – CURRENT PORTION

Receivables – current portion consisted of the following at December 31, 2021 and 2020:

	2021	2020
Royalty fees	\$ 44,262	\$ 127,716



LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

3. PROPERTY AND EQUIPMENT-NET

Property and equipment-net consisted of the following at December 31, 2021 and 2020:

	Estimated Life	2021	2020
Auto and truck	5 years	\$ 52,602	\$ 107,307
Leasehold improvements	10 years	69,187	65,958
Furniture and fixtures	7 years	60,200	52,700
Total		181,989	225,965
Less accumulated depreciation		108,611	77,997
Property and equipment-net		\$ 73,378	\$ 147,369

Depreciation expense related to property and equipment for the years ending December 31, 2021 and 2020 was \$36,499 and \$35,056 respectively.

4. RECEIVABLES – NON-CURRENT PORTION

Receivables-non-current portion consisted of franchise agreements signed during the year ended and in prior years. These fees are due from franchisees upon the completion of conditions as stated in the franchise agreement. The balance at December 31, 2021 and 2020 was \$890,433 and \$1,120,275 respectively.

5. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2021 and 2020:

	2021	2020
Note payable to bank dated February 2018, interest at 3.99%, monthly payments of \$785 including interest through August 2023, secured by vehicle.	\$ -	\$ 24,867
Note payable to bank dated March 2018, interest at 2.90%, monthly payments of \$801 including interest through March 2023, secured by vehicle.	-	20,667
Total	-	45,534
Less: current maturities of long-term debt	-	16,236
Long-term debt	\$ -	\$ 29,298

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDING DECEMBER 31, 2021 AND 2020

6. PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (The CARES Act) was signed into law and included statutory language for the Paycheck Protection Program Loan (PPP Loan). The PPP Loan allowed for eligible businesses to receive a loan with an annual interest of 1.00% with the intention of forgiveness if the loan was used for purposes of employee payroll and other allowed expenses.

During the years ending December 31, 2021 and 2020, the Company applied for and received PPP Loans in the amounts of \$135,630 and \$135,632 respectively. These loans were fully forgiven and the Company recognized the forgiven loan amounts as other income in the accompanying statements of income.

7. ADVERTISING

The Company expenses advertising costs as incurred. Total advertising expense for the years ending December 31, 2021 and 2020 was \$48,772 and \$13,337 respectively.

8. LEASE OBLIGATIONS

The Company leases its office building under an operating lease agreement set to expire in August 2024. The Company has the option to renew the lease agreement for an additional three years following the expiration of the original lease. Total rent expense for the years ending December 31, 2021 and 2020 was \$56,400 and \$56,400 respectively.

9. CONTINGENCIES

The Company is subject to claims and legal actions during the normal course of business. The Company believes such claims will not have a material impact on the financial statements.

10. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events and transactions through April 22, 2022, which is the date the financial statements were available to be issued. Management confirms that no significant events or transactions have occurred subsequent to the balance sheet date and through April 22, 2022, that would require adjustment to, or disclosure in, the financial statements.

**EXHIBIT D**  
**STATE SPECIFIC ADDENDUM**

## **ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

The Franchise Agreement, and Three Pack Option Agreement are amended as follows:

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

**ADDENDA TO THE LAVIDA MASSAGE FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

The Franchise Agreement, and Three Pack Option Agreement are amended as follows:

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987, Ill. Rev. Stat. ch. 815 para. 705/1 - 705/44 (1994). To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:
2. Illinois law governs the Franchise Agreement(s).
3. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
4. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
5. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

FRANCHISOR:  
LAVIDA MASSAGE

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

FRANCHISEE:

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_



**ADDENDUM TO THE LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF INDIANA**

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

**MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT,  
AND THREE PACK OPTION AGREEMENT**

**Pricing:** We may periodically establish maximum prices for goods and services that you offer at your Center, if we do so you may charge more than this price. This may reduce the anticipated profit for your franchise business.

Item 5 of the Franchise Disclosure Document is amended to provided that based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

The Maryland Franchise Registration and Disclosure Law, COMAR 02.02.08.16L, provides that, as a condition of the sale of a franchise, we may not require you to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Franchise Registration and Disclosure Law. Item 17 of the Franchise Disclosure Document is amended by adding: any general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement and Item 17 of the Franchise Disclosure Document shall be deemed amended so that no release, assignment, novation, waiver or estoppel is required if it would violate the Maryland Franchise Registration and Disclosure Law. Nothing in the franchise agreement, including any acknowledgments or representations, shall be deemed a release or waiver of any right or obligation under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the Franchise Disclosure Document is amended by adding the following: The provision in the Franchise Agreement that provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et. seq.).

Item 17 of the Franchise Disclosure Document and Article 19 of the Franchise Agreement are amended by adding: any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise. Any limitation on the period of time litigation claims must be brought shall not act to reduce this 3-year statute of limitations.

Item 17 of the Disclosure Document is modified to include the words “except you may sue in Maryland for any claims arising under the Maryland Franchise Registration and Disclosure Law.”

We may periodically establish maximum prices for goods and services that you offer at your Center, if we do so you may not charge more than this price. This may reduce the anticipated profit for your franchise business.

**AGREED:**

FRANCHISOR:  
LAVIDA MASSAGE

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

FRANCHISEE:

\_\_\_\_\_  
(Printed Name)



(Signature)

---

(Printed Name)

---

(Signature)

## **FOR RESIDENTS OF 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.

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. 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.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for a 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 30 days, to cure such failure.
4. 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 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 another commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
5. 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.
6. 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 an arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for a 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:
  8.
    - (a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
    - (b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
    - (c) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
    - (d) 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.

9. 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 paragraph 3 above.

10. A provision that 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.

11. If the Franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the Franchisee may request the Franchisor to arrange for the escrow of initial investment and other funds paid by the Franchisee until the obligations, if any, of the Franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the Franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

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

1. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR WILL COMPLY WITH MINNESOTA STATUTES, SECTION 80C.14, SUBD. 3-5, WHICH REQUIRE (EXCEPT IN CERTAIN SPECIFIED CASES) (1) THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NON-RENEWAL OF THE FRANCHISE AGREEMENT AND (2) THAT CONSENT TO THE TRANSFER OF THE FRANCHISE WILL NOT BE UNREASONABLY WITHHELD.
2. The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd.

**ADDENDUM TO THE LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC DISCLOSURE  
DOCUMENT REQUIRED BY THE STATE OF NEW YORK**

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

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

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

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

- A. No such party has had an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or

department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

ATTEST

LAVIDA MESSAGE FRANCHISE DEVELOPMENT, INC

\_\_\_\_\_  
Witness

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Witness

## ADDENDUM FOR THE STATE OF NORTH DAKOTA

Item 17(c) of the Disclosure Document and Section III.B of the Franchise Agreement are amended to delete the requirement for franchisee to sign a general release upon renewal.

Item 17(r) of the Disclosure Document and Section XVI.A of the Franchise Agreement are amended to state that covenants not to compete such as those mentioned therein are generally considered unenforceable in the State of North Dakota.

Item 17(u) of the Disclosure Document and Section XXI.B of the Franchise Agreement are amended to state that the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business.

Item 17(v) of the Disclosure Document and Section XXI. E of the Franchise Agreement are amended to delete the requirement for franchisees to consent to the jurisdiction of the courts in Michigan.

Item 17(w) of the Disclosure Document and Section XXIII. N of the Franchise Agreement are amended to delete the provision that the Agreement shall be construed according to the laws of the state of Michigan.

Section XXI.C of the Franchise Agreement is amended to delete the requirement that franchisee consent to a waiver of trial by jury, and to delete the requirement that franchisee consent to a waiver of exemplary and punitive damages.

NORTH DAKOTA FRANCHISE AGREEMENT ADDENDUM

Section III.B of the Franchise Agreement are amended to delete the requirement for franchisee to sign a general release upon renewal.

Section XVI.A of the Franchise Agreement are amended to state that covenants not to compete such as those mentioned therein are generally considered unenforceable in the State of North Dakota.

Section XXI.B of the Franchise Agreement are amended to state that the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee’s place of business.

Section XXI. E of the Franchise Agreement are amended to delete the requirement for franchisees to consent to the jurisdiction of the courts in Michigan.

Section XXIII. N of the Franchise Agreement are amended to delete the provision that the Agreement shall be construed according to the laws of the state of Michigan.

Section XXI.C of the Franchise Agreement is amended to delete the requirement that franchisee consent to a waiver of trial by jury, and to delete the requirement that franchisee consent to a waiver of exemplary and punitive damages.

FRANCHISOR:  
LAVIDA MASSAGE  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

FRANCHISEE:  
\_\_\_\_\_  
(Printed Name)  
\_\_\_\_\_  
(Signature)  
\_\_\_\_\_  
(Printed Name)  
\_\_\_\_\_  
(Signature)



WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, 3 PACK OPTION AGREEMENT

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.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

FRANCHISOR:  
LAVIDA MASSAGE

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

FRANCHISEE:

\_\_\_\_\_  
(Printed Name)

---

(Signature)

---

(Printed Name)

---

(Signature)

**EXHIBIT E  
FRANCHISE AGREEMENT  
AND OTHER AGREEMENTS**



FRANCHISE AGREEMENT  
TABLE OF CONTENTS

<b>I.</b>	<b>BACKGROUND</b> .....	<b>2</b>
<b>II.</b>	<b>LICENSE &amp; TERRITORY</b> .....	<b>3</b>
<b>III.</b>	<b>TERM AND RENEWAL</b> .....	<b>3</b>
<b>IV.</b>	<b>FEES AND PAYMENTS</b> .....	<b>5</b>
<b>V.</b>	<b>SITE SELECTION, LEASE, IMPROVEMENTS, EQUIPMENT, AND OPENING</b> .....	<b>6</b>
<b>VI.</b>	<b>TRAINING - PRE-OPENING. AND OPENING ON-SITE ASSISTANCE, INSPECTIONS</b>	<b>10</b>
<b>VII.</b>	<b>FRANCHISE OPERATION</b> .....	<b>11</b>
<b>VIII.</b>	<b>SUPPLIERS, APPROVED PRODUCTS</b> .....	<b>17</b>
<b>IX.</b>	<b>INSURANCE AND HOLD HARMLESS</b> .....	<b>18</b>
<b>X.</b>	<b>MARKETING AND ADVERTISING</b> .....	<b>19</b>
<b>XI.</b>	<b>INDEMNIFICATION</b> .....	<b>22</b>
<b>XII.</b>	<b>REPORTING, PAYMENTS AND FALSE STATEMENTS</b> .....	<b>22</b>
<b>XIII.</b>	<b>RECORDKEEPING AND ACCOUNTING</b> .....	<b>23</b>
<b>XIV.</b>	<b>TRANSFER OF FRANCHISE</b> .....	<b>24</b>
<b>XV.</b>	<b>PROPRIETARY RIGHTS AND CONFIDENTIALITY</b> .....	<b>27</b>
<b>XVI.</b>	<b>NON-COMPETITION</b> .....	<b>27</b>
<b>XVII.</b>	<b>RELATIONSHIP OF THE PARTIES</b> .....	<b>28</b>
<b>XVIII.</b>	<b>DEFAULT BY FRANCHISEE</b> .....	<b>28</b>
<b>XIX.</b>	<b>DEFAULT BY FRANCHISOR</b> .....	<b>30</b>
<b>XX.</b>	<b>ACTIONS FOLLOWING TERMINATION, ASSIGNMENT OR EXPIRATION</b> .....	<b>31</b>
<b>XXI.</b>	<b>ENFORCEMENT</b> .....	<b>32</b>
<b>XXII.</b>	<b>NOTICES</b> .....	<b>33</b>
<b>XXIII</b>	<b>MISCELLANEOUS</b> .....	<b>34</b>
<b>XXIV.</b>	<b>NO PROJECTIONS OR REPRESENTATIONS</b> .....	<b>37</b>
	<b>GUARANTY</b> .....	<b>39</b>
	<b>EXHIBIT 1 SITE SELECTION ADDENDUM</b> .....	<b>40</b>
	<b>EXHIBIT 2 COLLATERAL ASSIGNMENT OF LEASE</b> .....	<b>41</b>
	<b>EXHIBIT 3 FRANCHISE ASSIGNMENT, SALE AND TRANSFER</b> .....	<b>42</b>
	<b>EXHIBIT 4 THREE PACK OPTION AGREEMENT</b> .....	<b>44</b>

## LAVIDA MASSAGE FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made at \_\_\_\_\_, as of the \_\_\_ day of \_\_\_\_\_, 200\_\_\_, by and between LaVida Massage Franchise Development, Inc. a Michigan corporation (hereinafter called "Franchisor" "We" "Us" "Our") located at 7077 Fieldcrest Dr, Suite 600, Brighton., MI 48116 and \_\_\_\_\_ located at \_\_\_\_\_ (hereinafter called "Franchisee" "You" "Your").

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

### I. BACKGROUND

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

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

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

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

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

F. You have been informed and hereby acknowledge your understanding of the fact that the successful operation of your Franchised Business will depend primarily upon your efforts,

capabilities and management skills, as well as your efficient operation of the Franchised Business, the general economic trends and local marketing conditions. We make no claims or representations whatsoever regarding potential sales, profits or earnings achievements by you or your Franchise Business. Nothing in this agreement is intended to disclaim the representations we made in the franchise disclosure document.

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

## **II. LICENSE & TERRITORY**

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

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

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

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

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

## **III. TERM AND RENEWAL**

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

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

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

2. You are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us or our subsidiaries and affiliates, and have substantially complied with all the terms and conditions of such agreements during the terms thereof; and

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

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

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

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

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

#### IV. FEES AND PAYMENTS

A. Initial Franchise Fee. You must pay a nonrecurring and nonrefundable initial franchise fee of Thirty-Nine Thousand Dollars (\$39,000.00). This fee is fully earned by us when you sign this Agreement. The entire initial Franchise Fee is due and payable in the form of certified funds at the time you sign this Agreement.

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

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

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

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



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

G. Default Fee. If you are in default of the franchise agreement and we send you a default notice, you must pay us a fee of \$150.00.

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

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

J. Software Use Fee. You must comply with our standards regarding the Center Management Software Program as explained in our Confidential Manuals. We are the only approved distributors for the Center Management Software Program, and you must use such program. We will lease to you the Center Management Software Program for a fee of \$118.60 per week which we will directly auto debited from your account on Friday for the previous week. You must use this software and sign any software license agreement, or other similar agreement that we or our vendor may require for the use of the software program.

## V. SITE SELECTION. LEASE. IMPROVEMENTS. EQUIPMENT. AND OPENING

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

Our approval only indicates that the site meets our then acceptable criteria.

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

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

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

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

F. Opening. We may make a final inspection of the completed Center prior to opening, and may require such corrections and modifications as we deem necessary to bring the Center into compliance with approved plans and specifications. You agree not to open your Center if the Center until: 1) the Center conforms to all plans and specifications approved by us; 2) all required pre-opening training described

in Section VI of this Agreement has been completed to our satisfaction; 3) you have satisfied all bonding, licensing and other legal requirements for the lawful operation of your Franchise Business; 4) all amounts due to us have been paid; 5) we have received satisfactory evidence that you have obtained the required insurance. Failure to correct any unauthorized variance from the approved plans and specifications promptly or, subject to fire, flood, earthquake, or other similar causes beyond your control, failure to open your Center within eight (8) months after the execution of this Agreement may result in the termination of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

## **VI. TRAINING - PRE-OPENING AND OPENING ON-SITE ASSISTANCE. INSPECTIONS**

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

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

C. Satisfactory Completion. You understand that it is of paramount importance that you and your employees or representatives know the LAVIDA MASSAGE system. Therefore, failure to complete the training to our satisfaction shall result in a delay in the opening of the Center, as we reserve the right, in our sole discretion, to require you or your designee to attend additional training and we will charge you an additional training fee of \$250.00 per day per person. If you are unable to complete and pass the training, we reserve the right, in our sole discretion, to terminate this Agreement and refund the Initial Franchise Fee, less and administrative charge equal to twenty-five (25%) of such Fee.

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

E. Additional Training. You have the right to request additional training from time to time and we shall, at our sole discretion, provide such training to you, or your manager, at such times and places and for such duration as we deems necessary; provided that you are required to pay the cost of such additional instruction and training, including the cost of transportation, meals, lodging, and the current charge for the services of our representative, which costs shall be paid in advance. We, in our

sole discretion, may require any person or persons employed in a managerial or other responsible capacity by you to complete additional training designated by us, subject to the required costs of training additional persons.

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

## **VII. FRANCHISE OPERATION**

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

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

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

B. Confidential Manuals. The mandatory provisions of our manuals, guides, guidelines, handbooks, and binders, developed from time to time by us, shall govern the operation of your business. (For purposes of this Agreement, such manuals, guides, guidelines, handbooks and binders developed from time to time by us are referred to herein collectively as the "Confidential Manuals"). Changes in the provisions and in other, recommended Standards and Specifications, and procedures, may be made by us as deemed advisable by us. You will operate your Center in accordance with the mandatory Standards and Specifications, and procedures set forth in the Confidential Manuals, will comply with any changes in such mandatory Standards and Specifications, and procedures as may become necessary and desirable, and will accept as reasonable any modifications, revisions, and additions to the Confidential Manuals which we, in the good faith exercise of our judgment, believe to be necessary. We shall loan a copy of the Confidential Manuals to you within a reasonable time after signing this Agreement. You shall retain the Confidential Manuals on your Center's premises and will keep such Manuals up to date by inserting any supplements and amendments that we provide. You

shall not make any copies of the Confidential Manuals, and shall return the Confidential Manuals to us immediately upon termination or expiration of this Agreement. We may also add additional manuals from time to time which shall be deemed to be included in the definition of "Confidential Manuals."

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

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

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

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

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

You may not use the Names in connection with the operation of a business at any location other than the LAVIDA MASSAGE Center location approved by us, and you shall not use the Names in

connection with the name of any corporation, partnership or limited liability company involved in this business. You acknowledge that you have no ownership, title or interest in the Names other than that granted herein for use in operation of its business in compliance with this Agreement, that we are the sole owner of the Names, and that any goodwill generated by the use of the Names, including any customer lists, shall belong to us. You shall, at no time, infringe upon, or contest the validity of the Names or assist any other person in infringing upon or contesting the validity of the Names.

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

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

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

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

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

I. Personnel. All personnel employed by you shall maintain such standards of sanitation, cleanliness, propriety and demeanor as shall be established by us. All personnel performing



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

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

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

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

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

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

You also acknowledge and agree that if we require you to offer new or substitute products or services not currently offered at LAVIDA MASSAGE Centers, you agree to offer such products or services in strict compliance with our Standards and Specifications, and procedures prescribed in writing or the Confidential Manuals and to diligently pursue obtaining any licenses and permits and take such actions (including, without limitation, constructing improvements and acquiring fixtures, furnishings,

equipment, supplies and materials, or hiring additional trained/licensed personnel) required to offer such products and/or services. You acknowledge and understand that such modifications to the services and/or products to be offered in the Center may require you to incur additional costs and expenses to operate the Center including, without limitation, the hiring of additional licensed personnel, the purchase and/or lease of additional or substitute furnishings, fixtures, equipment, and you agree to incur such expenses in connection therewith.

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

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

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

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

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

R. National Accounts. For purposes of this Agreement, a "National Account" shall be

considered an account that has locations both inside and outside the Designated Territory.

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

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

the Designated Territory, so as to enable us to either service such additional locations, or assign another person to service those locations.

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

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

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

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

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

## **VIII. SUPPLIERS. APPROVED PRODUCTS**

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

B. Your Recommended Suppliers. If you desire to utilize a manufacturer or supplier other

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

1. You shall submit a written request to us for approval of the product or supplier.
2. The supplier shall demonstrate to our reasonable satisfaction that it is able to supply a commodity or product to you meeting our specifications for such commodity.
3. The supplier shall demonstrate to our reasonable satisfaction that the supplier is of good standing in the business community with respect to its financial capabilities and the reliability of its product or service.

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

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

## **IX. INSURANCE AND HOLD HARMLESS**

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

### A. Insurance Policies.

i. Bodily Injury and Property Damage. Comprehensive general liability insurance and umbrella insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Center, containing minimum liability protection of One Million Dollars (\$1,000,000) combined single limits per occurrence, and Two Million Dollars (\$2,000,000.00) in the aggregate (unless greater amounts are required by your landlord, local governmental authority, etc.) with a maximum deductible of One Thousand Dollars (\$1,000.00) per claim.

ii. Workers' Compensation. Workers' Compensation and employer's liability insurance as required by law.

iii. Auto Insurance. Comprehensive and collision auto liability insurance, on vehicles being used by the franchised business, with deductibles not to exceed One Thousand Dollars (\$1,000) but in no instance less than One Million Dollars (\$1,000,000) combined single limits for bodily injury and property damage.

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

v. Risk Replacement Coverage. All risk replacement cost coverage.

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

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

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

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

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

## **X. MARKETING AND ADVERTISING**

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

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

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

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

E. Use and Approval. You agree that your advertising, promotion and marketing will be completely clear, factual and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. All media use, advertising, publicity, signs, decorations, equipment or other materials employing, in any way, the word "LAVIDA MASSAGE" or any derivative thereof, or any of our logos, service marks or trade names, shall be submitted to us for written approval prior to publication

or use. "Media use" as used herein includes, but is not limited to, printed publications, video, radio and personalized products such as t-shirts. We may provide specific guidelines for advertising and promotion initiated by individual franchisees or groups of franchisees on a cooperative basis and we reserve the right to disapprove any advertising or promotion which, in our sole opinion, is not in the best interest of the franchise system.

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

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

We will designate all programs that the Co-op Advertising Fund finances, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation. The Co-op Advertising Fund may pay for preparing and producing video, audio and written material and electronic media; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion and marketing agencies and other advisors to provide assistance; and supporting public relations, market research and other advertising, promotion and marketing activities. The Co-op Advertising Fund periodically will give you samples of advertising, marketing and promotional formats and materials at no cost and will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling and storage charges.

We will account for the Co-op Advertising Fund separately from other funds and not use the Co-op Advertising Fund for any of our general operating expenses, except to compensate the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering preparing advertising, promotion and marketing materials, and collecting and accounting for Co-op Advertising Fund contributions. The Co-op Advertising Fund will not be our asset. The Co-op Advertising Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Co-op Advertising Fund or any other reason. The Co-op Advertising Fund may spend in any fiscal year more or less than the total Co-op Advertising Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on Co-op Advertising Fund contributions to pay costs before using the Co-op Advertising Fund's other assets. We will prepare an annual, unaudited statement of Co-op Advertising Fund collections and expenses and give you the statement upon written request. We may incorporate the Co-op Advertising Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this subsection.



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

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

For each of our company-owned locations (if any), we will contribute to the Co-op Advertising Fund on the same basis as assessments required of comparable franchises within the System. Franchisees who contribute to the fund may obtain a copy of the fund's unaudited financial statements after April 30th of each year upon written request to us. We do not use any National Advertising Fund dollars for soliciting new franchise sales.

## **XI. INDEMNIFICATION**

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

## **XII. REPORTING, PAYMENTS AND FALSE STATEMENTS**

A. Reporting Obligations of Franchisee. During the term of this Agreement, you shall deliver to us:

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

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

An annual balance sheet and statement of profit and loss, within ninety (90) days following the close of your fiscal year, which statement shall show the financial condition of the business at the end of the fiscal year. All financial information and reports shall be delivered in the manner and in the form specified by us. All balance sheets and profit and loss statements shall also be prepared in accordance with generally accepted accounting principles and shall be accompanied by a written certification by you that the same are true and correct. Any intentionally false statements in these or any other reports provided to us shall be grounds for us to terminate this Agreement.

### **XIII. RECORDKEEPING AND ACCOUNTING**

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

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

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

D. Computer System. You will at all times maintain at the premises of the Center a working computer with Internet access and a dedicated fax/modem line ("Computer System"). We may from time to time specify software to be included on the computer, and may require you to upgrade your computer and software to minimum requirements specified from time to time by us, provided that we may not require you to purchase new computer equipment more than once in any period of thirty-six (36) consecutive months. We may develop, or contract for the development of, "Licensed Programs." Licensed Programs are defined as computer software programs which may include, without limitation, customer management, bookkeeping, inventory, training, marketing,

employee selection, operations and financial information collection and retrieval systems for use in connection with the operation of a LAVIDA MASSAGE Center including any updates, supplements, modifications or enhancements thereto, all related documentation, the tangible media upon which such program is recorded, and the database file structure thereof, but excluding any data or database owned or compiled by us, or our affiliates, for use with the Licensed Programs or otherwise or any data generated by the use of the Licensed Programs.

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

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

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

#### **XIV. TRANSFER OF FRANCHISE**

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

B. Restrictions on a Transfer by You. You understand and acknowledge that the rights and duties in this Agreement are personal to you and that we have granted you the franchise in reliance upon our perception of your character, skill, aptitude, attitude, business ability and financial capability. Therefore, neither this Agreement nor the business operated under this Agreement, may be assigned by you, either voluntarily or by operation of law, except as hereinafter provided, without our prior written consent. Such consent shall not be unreasonably withheld, but under no circumstances shall we be obligated to consent to the transfer of the business operated under this Agreement without transfer of this Agreement to the transferee. Failure by us to consent to a proposed assignee that does not have appropriate business experience, a good credit history, a net worth adequate for the operation of the

business, in our reasonable judgment, or who does not satisfy all of the requirements of Franchisor with respect to applicants for new franchises, including fulfillment of the training requirement, execution, and delivery of the current form of Franchise Agreement then in use by us (providing for the payment of all royalty fees at the then-current rate for new franchisees and the re determination of the Designated Territory, if any, according to our then-current criteria for new franchisees), shall be per se reasonable.

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

2. Any purported assignment of this Franchise or any of your rights or obligations hereunder without our prior written consent shall be void and any such attempt to assign or transfer the Franchise shall be a breach of this Agreement.

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

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

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

E. Right of First Refusal. Prior to the sale of the franchised business, or assignment by you of this Agreement in a transaction requiring our consent, we shall have the option, exercisable within thirty (30) days after receipt of notice by us from you of the proposed sale or assignment, to purchase, or have its nominee purchase the business and this Agreement for the price and on the terms and conditions of the proposed sale. We shall have the right to substitute equivalent cash for any non-cash consideration included in the sale. Such notice shall specify the name and address of the proposed transferee, shall enclose a completed franchise application from the proposed transferee, and shall set forth the price, terms, conditions, date, and place of closing of the proposed sale. Should we not exercise this right and should the contemplated sale not be completed, or should the terms and

conditions thereof be altered in anyway, this right of first refusal shall be reinstated and any subsequent proposed sale, or the altered terms and conditions of the current transaction, must again be offered to us in accordance with this Paragraph. Should we elect to exercise its right of first refusal, you shall take all action necessary to cause its Lease Agreement with the landlord of the Franchise Location to be assigned to us concurrently with the execution of this Agreement.

F. Transfer Fee. New Franchise Training. As a condition to our consent to any assignment of this Agreement, you shall bring all accounts with us current. You shall also pay to us a non-refundable transfer fee of Seven Thousand Five Hundred Dollars (\$7,500) on the following schedule. Two Thousand Five Hundred Dollars (\$2,500) paid before training of the new franchisee begins and the remaining balance upon transfer of Center.

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

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

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

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

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

1. If, after the death or permanent disability of Franchisee, or a controlling member or owner of Franchisee, the franchised business operated under this Agreement is not being managed by a

competent and trained manager, we are authorized, but not obligated, to appoint a manager to maintain the franchised business operation until an approved assignee shall be able to assume its management and operation, but in no event for a period exceeding six (6) months, without the approval of the personal representative of Franchisee or such owner or member. All funds from the franchised business operation during the period of management by our appointed manager shall be kept in a separate fund and all expenses of the franchised business, including compensation, other costs and travel and living expenses of Franchisor's appointed manager, shall be charged to such fund. As compensation for the management services provided, in addition to the fees due hereunder and the compensation, other costs and travel and living expenses which our appointed manager incurs, we shall charge such fund five percent (5%) of the weekly Gross Sales (as defined in Paragraph IV. D. of this Agreement) during the period of our management. Operation of the franchised business during any such period shall be for and on behalf of Franchisee, provided, that we shall have a duty only to utilize our good faith efforts and shall not be liable to Franchisee or its members or owners for any debts, losses or obligations incurred by the franchised business or to any creditor of Franchisee for any merchandise, materials, supplies or services purchased by the franchised business during any period in which it is managed by our appointed manager.

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

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

J. Effect of Our Consent to Assignment. Our consent to any assignment is not a representation of the fairness of the terms of any contract between you and assignee, a guarantee of the Center's or assignee's prospects of success, or a waiver of any claims we have against you or of our right to demand the transferee's full compliance with this Agreement's terms and conditions.

## **XV. PROPRIETARY RIGHTS AND CONFIDENTIALITY**

1. Nothing contained in this Agreement shall be construed to require us to divulge to you any secret processes, secret procedures, techniques or formula, except the material contained in our Confidential Manuals and training materials. You acknowledge that your knowledge of our formula, know-how, processes, products, techniques, information, and other proprietary data are derived entirely from information disclosed to you by us and that such information is proprietary, confidential, and a trade secret of us. You agree to maintain confidentiality of such information and to exercise the highest degree of diligence in safeguarding our trade secrets during and after the term of this Agreement, including items in our Confidential Manuals. You shall divulge such material only to your employees and only to

the extent necessary to permit the effective operation of your LAVIDA MASSAGE Center. It is expressly agreed that the ownership of all the proprietary property is and shall remain vested solely in us. If you develop any new formulas, know-how, processes, products, techniques, or information in connection with the operation of a LAVIDA MASSAGE Center, you shall fully disclose this to us and may use the same only as approved by us. If we grant such approval, your request for approval shall be considered your consent to permit us to allow others in the LAVIDA MASSAGE system to use the same without obligation for any payment to you.

## **XVI. NON-COMPETITION**

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

Franchisee shall not, without our express prior written consent, directly or indirectly, for a period of two (2) years from the date of the assignment by Franchisee, expiration or non-renewal of this Agreement, or the termination of this Agreement, regardless of the cause of the termination, engage in or participate as an employee, consultant, agent, or owner, alone or with any other person or entity with any business offering massage services within 30 miles of the center that they operated or any other LaVida Massage Center.

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

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

## **XVII. RELATIONSHIP OF THE PARTIES**

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

## **XVIII. DEFAULT BY FRANCHISEE**

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

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

1. Bankruptcy. You are adjudicated as bankrupt or insolvent.

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

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

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

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

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

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

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

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

10. Training. You do not satisfactorily complete the initial training.

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

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

2. Transfers Without Prior Consent. Any purported assignment, transfer, or sublicense of



this Agreement, or any right hereunder, without our prior written consent or if you sell, lease, sublease or transfer any interest in its Center, or in your Center lease, without our prior written consent.

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

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

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

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

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

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

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

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

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

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

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

D. Failure to Comply with Franchisor's Standards and Specifications. If you fail to comply

with any Standard and Specification that has been specified by us to you, we will give you thirty (30) days after receiving notice of non-compliance to come into compliance with the our Standards and Specifications. If you fail to come into compliance within thirty (30) days after notice is given, we have the unrestricted right to charge you a non-compliance late fee of \$500.00 and to give you a new notice of non-compliance. If the you continue to be in non-compliance after (30) days and have not cured the non-compliance notice, we in addition to all remedies that we have available to us at law or in equity, at our option, may immediately terminate this Agreement.

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

## **XIX. DEFAULT BY FRANCHISOR**

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

## **XX. ACTIONS FOLLOWING TERMINATION, ASSIGNMENT OR EXPIRATION**

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

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

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

C. Websites, Domain Names and Assumed Names. You shall expeditiously take such action as may be required to properly cancel all domain names and any assumed name or equivalent registrations relating to the use of our Names, or any part thereof, and notify any Internet service

provider, domain name registrar and all listing agencies of the termination or expiration of your right to use the domain name, assumed name, and other directory listings associated with our Names and to authorize the Internet service provider, any domain name registrar, and all listing agencies to transfer to us all such domain names and listings. If you fail or refuse to immediately complete such action, we are hereby irrevocably appointed as your attorney-in-fact to do so.

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

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

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

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

## **XXI. ENFORCEMENT**

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

B. Compulsory Mediation. Except with respect to matters for which we believe it necessary to seek equitable relief, or to collect royalties or other amounts owing to us, You shall be required to enter into mediation with us for of all disputes involving this Agreement or any aspect of the relationship between them for a minimum of four (4) hours prior to the initiation of any legal action or proceeding against the other party or any agent or affiliate of the other party. Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select either the American Arbitration Association or Center for Public Responsibility (or

their successors) to coordinate the mediation, and shall notify the other party of its election. If the party receiving the notice of intent to mediate does not select one of these organizations within ten (10) business days from the date the notice of intention to mediate is received, then the other party, at its option, may (i) forego mediation of the issue(s) and commence litigation, or, at its option, (ii) select one of these organizations to provide mediation services. The mediation shall be held within sixty (60) days following receipt by the mediation organization of notification that its services shall be retained. If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates. Both you and we shall have fifteen (15) days from the date the organization is designated to select a person working with that organization to serve as mediator. If the parties are unable to agree on the mediator, then the organization shall select the mediator, but the organization must select a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity) or in franchise law. The mediation shall be held as soon as practicable following selection of the mediator. The parties shall equally share the cost of the mediator. Unless both parties agree otherwise, the mediation will be held in Commerce, Michigan. If you fail or refuse to abide by the provisions of this subparagraph and to engage in mediation as required herein, and litigation ensues between the parties, you shall be liable for all attorneys' fees incurred by us in such proceeding, regardless of the outcome of the proceeding, and shall reimburse us on demand for such costs.

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

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

E. Exclusive Venue. Franchisor and Franchisee (and the respective owners, officers, affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of Michigan with respect to any litigation pertaining to this Agreement or to any aspect of the business relationship between the parties, even if additional persons are named as parties to such litigation (unless the courts of Michigan would have no jurisdiction over such additional persons). No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or affiliates shall be commenced by any party except in Livingston County, Michigan, nor

shall any such action be transferred to any other venue. Notwithstanding the foregoing, if we are permitted to seek injunctive relief under this Agreement, we may, at our option, bring such action in the county in which any of the Centers is located.

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

**XXII. NOTICES**

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

FRANCHISOR: LAVIDA MASSAGE  
7077 Fieldcrest Dr, Suite 600  
Brighton MI 48116

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

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

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

**XXIII MISCELLANEOUS**

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

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

C. Heirs, Successors and Assigns. This Agreement shall be binding and inure to the

benefit of the parties, their heirs, successors, and assigns.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

R. Notification. You shall notify us in writing immediately upon the occurrence of any act or event that would render any of the representations, warranties or covenants set forth in Sections XX111(Q.) or (R.) above incorrect.

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



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

LaVida Massage Franchise Development, Inc.

\_\_\_\_\_  
By: Peggy Davis, President

WITNESS:

FRANCHISEE:

\_\_\_\_\_

\_\_\_\_\_  
(Signature and Typed Name)

\_\_\_\_\_

\_\_\_\_\_  
(Signature and Typed Name)

\_\_\_\_\_

\_\_\_\_\_  
(Signature and Typed Name)

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

GUARANTY

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

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

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

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Dated: \_\_\_\_\_

**EXHIBIT 1 SITE SELECTION ADDENDUM  
TO  
LAVIDA MASSAGE FRANCHISE AGREEMENT**

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

The site is at \_\_\_\_\_.

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

This Exhibit has been entered into and agreed to as of the \_\_\_\_ day of \_\_\_\_\_, 200\_\_.

FRANCHISOR:  
LAVIDA MASSAGE

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

FRANCHISEE:

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Signature)

**EXHIBIT 2**  
**TO**  
**LAVIDA MASSAGE FRANCHISE AGREEMENT**  
**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned (“Assignor”) assigns, transfers and sets over to LaVida Massage Franchise Development, Inc., a Michigan limited liability company (“Assignee”), all of Assignor’s right and title to and interest in that certain “Lease” a copy of which is attached as Exhibit A respecting premises commonly known as \_\_\_\_\_. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for the LaVida Massage Franchise between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee, has the right to take possession of the premises the Lease and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing and upon Assignor’s failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNEE/FRANCHISOR:

ASSIGNOR/FRANCHISEE:

LAVIDA MASSAGE FRANCHISE  
DEVELOPMENT, LLC

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

EXHIBIT 3

FRANCHISE ASSIGNMENT, SALE AND TRANSFER

A. Assignment and Sale

Pursuant to Section XVII.H. of the Franchise Agreement dated \_\_\_\_\_, 20\_\_, by and between the undersigned and LAVIDA MASSAGE (the Agreement), I/we hereby transfer subject to approval by the Franchisor, all my/our rights in the Agreement.

Name of Transferee

Address

City, State and Zip Code

Signature of Franchisee(s) (Transferors))

Date

B. Acceptance of Transfer

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

\_\_\_\_\_ (Name of Transferee)

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

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

C. Approval of Transfer

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

LAVIDA MASSAGE

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

By:

**LAVIDA MASSAGE  
THREE PACK OPTION AGREEMENT**

THIS THREE PACK OPTION AGREEMENT (the "Agreement") is made at \_\_\_\_\_, of the \_\_\_\_ day of \_\_\_\_\_, 202\_\_\_\_, by and between LaVida Massage Franchise Development, Inc. a Michigan Corporation (hereinafter called "Franchisor" "We" "Us" "Our") located at 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116 and \_\_\_\_\_ located at \_\_\_\_\_ (Hereinafter called "Franchisee" "You" "Your").

**BACKGROUND**

- A. We are engaged in the business of franchising a unique and comprehensive of system massage therapy, health and wellness, and bodywork services as well as other related services and products. ("Franchised Business").
- B. We and our affiliates have expended significant time, skill, effort and money to develop certain skills, concepts, business techniques, marketing systems, and a specialized method and process with uniform standards, specifications, methods, policies, procedures, systems, and information, all of which may be enhanced, improved and further developed by us periodically, for operating the Franchised Business. ("Franchise System")
- C. We offer franchisees the right to own a LaVida Massage Center ("Center") offering products and services we authorize and using our Franchise System.
- D. Contemporaneous with the execution of this Agreement, you and LAVIDA MASSAGE have entered into Single Center Franchise Agreement (the "First Franchise Agreement") for the right to establish and operate a single LAVIDA MASSAGE Center (the "First Center").
- E. LAVIDA MASSAGE offers qualified franchisees the right and option to open two additional Centers as set forth in this Agreement;
- F. You wish to purchase a three-pack option to establish and operate 2 additional Centers under the terms and conditions set forth in this Agreement.

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

1. Grant of Option. In consideration of your payment to LAVIDA MASSAGE a three pack option fee of \$83,000, ("Option Fee") which is due and payable upon your execution of this Agreement, LAVIDA MASSAGE grants you the right and option to establish two additional Centers under the term of this Agreement. This Option Fee is deemed fully earned and non-refundable.

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

3. Territory. You will be given the option to open two additional Centers in the Territory described on the attached Exhibit A ("Territory"). Franchisor agrees not to establish any Centers or grant the right to another franchisee in the Territory until either your option period expires as defined herein or you exercise your option, in which case, the Territory will then be governed by the single center agreement entered into between you and the Franchisor.

4. Option Period. You may not execute a lease for any additional centers prior to exercising your option pursuant to paragraph 4 below. Your option to establish the second additional Center will expire one year from the date of opening of your first Center. If you exercise your option to open the second Center within the option period, you will be given another option to open a third Center within six months of the opening of your second Center. If you do not exercise your option within the noted time frame, your option expires, and you no longer have an option to open the additional centers.

5. Exercise of Option. In order to exercise your option for each additional Center you must satisfy all of the following conditions, upon the exercise of each option.

5.1 Execute our then current Franchise Agreement for each additional Center opened;

5.2 Follow all of our standards and procedures with respect to opening and operating the Center;

5.3 You are not in default under this Agreement or any other agreement with Franchisor and or our affiliates and have fully and faithfully performed all of your material obligations under such agreements;

5.4 Neither this Agreement, the First Franchise Agreement or any other agreement between you and us or our affiliates has been terminated;

5.5 You have timely paid any and all fees and other monies due to Franchisor and our affiliates as and when they become due under the terms of the First Franchise Agreement or any other agreement with Franchisor or our affiliates;

5.6 Your option is applied to a new Center only and may not be applied to an existing Center.

6. Sale or Assignment. Your rights under this Agreement are personal and you may not sell, transfer, or assign any right granted herein without prior written approval of the Franchisor.

7. Time of the Essence. Time is of the essence with respect to any time fixed for performance of any requirement set forth in this Agreement.

8. Acknowledgement. You acknowledge that this Agreement is not a franchise agreement and does not confer upon you any rights to use the LAVIDA MASSAGE proprietary Marks or its System.

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

Franchisor: LaVida Massage  
7077 Fieldcrest Dr, Suite 600  
Brighton., MI 48116

Franchisee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

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

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

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

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

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

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

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

17. Attorney's Fees. If Franchisor becomes a party to any litigation concerning this Agreement by reason of any act or omission of Franchisee or their authorized representatives and not by any act or



omission of Franchisor or any act or omissions of its authorized representatives, Franchisee shall be liable to Franchisor for reasonable attorney's fees and court costs incurred by Franchisor in the litigation. If any party commences an action against any other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorney's fees and costs of suit.

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

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

LAVIDA MASSAGE  
FRANCHISE DEVELOPMENT, INC.

FRANCHISEE:

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

\_\_\_\_\_  
(Signature)

Its: \_\_\_\_\_

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

**EXHIBIT F**

**LIST OF CURRENT FRANCHISEES**

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Gwen Heim	103 SW Winsted Lane, Ste 15	Bentonville	AR	72712	(479) 876-8004
Gwen Heim	4301 Waterside Court	Fayetteville	AR	72703	(479) 521-3232
Eric Morga	3020 S. Gilbert Rd., Suite #4	Chandler	AZ	85286	(480) 629-4985
Monique Walkes	1865 S. Nevada Ave.	Colorado Springs	CO	80905	(719) 323-6624
Cassie & Devan Royer	2733 Council Tree Avenue, Suite 119	Fort Collins	CO	80525	(970) 223-2512
Glenn & Jill Harrod	15714 N. Dale Mabry Hwy	Tampa	FL	33618	(813) 264-4772
Duane Goodwin & Terry Sharp	12460 Crabapple Rd., Suite 205	Alpharetta	GA	30004	(770) 740-0654
Deana & Travis Bohlender	6175 Hickory Flay Hwy., Suite 180	Canton	GA	30115	(770) 345-1200
Bekah Harrison	123 West Main St.	Cartersville	GA	30120	(770) 954-8822
Tiffany Leguyonne	5485 Bethelview Rd., Suite 220	Cumming	GA	30040	(678) 947-4642
Charlene & Alan Holder	8876 Dallas Acworth Hwy., Suite 124	Dallas	GA	30132	(678) 247-8383
Duane Goodwin & Terry Sharp	1100 Johnson Ferry Rd., Suite 345	East Cobb	GA	30068	(770) 973-6385
TiAnn Walker	2715 Loganville Hwy SW, Suite 310	Loganville	GA	30052	(770) 559-9441
Duane & Julie Goodwin	10945 State Bridge Rd.	Johns Creek	GA	30022	(678) 264-9091
Deana & Travis Bohlender	1635 Old 41 Hwy., Suite 201	Kennesaw	GA	30152	(678) 354-1161
Bekah Harrison	5100 Dallas Hwy NW	Powder Springs	GA	30127	(678) 919-9991
Charlene & Alan Holder	94 Hicks Dr	Rome	GA	30161	(706) 530-5848
Nora Harris	5944 Roswell Road	Sandy Springs	GA	30328	(404) 236-7291
Rebecca Callen	3240 South Cobb Drive, Ste# 1200	Smyrna	GA	30080	(678) 424-8432
Umang Dave	5885 Cumming Hwy NE, Suite 405-406	Sugar Hill	GA	30518	(678) 541-5097
Willie Robinson	13109 Rivercrest Dr.	Crestwood	IL	60418	(708) 385-1919
Mike & Lisa McCormick	2793 Plymouth Road, Suite D	Ann Arbor	MI	48105	(734) 222-1020
Zhi-Hong Liu	39552 Woodward Avenue	Bloomfield Hills	MI	48304	(248) 593-8661
Mike & Kate Condon	3617 W. Maple Road	Bloomfield Twp.	MI	48301	(248) 258-1111
Vicki Wyatt	9864 E. Grand River Ave., Suite 150	Brighton	MI	48116	(810) 229-0888

<b>Franchisee</b>	<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone</b>
Mark Davis (Affiliate owned)	42142 Ford Road	Canton	MI	48187	(734) 844-1402
Andrea Rivera	5880 Sashabaw Road	Clarkston	MI	48346	(248) 625-7300
John Hoose	3050 Union Lake Road, Suite 3D	Commerce	MI	48382	(248) 366-4611
Pillar Mona, Patrick Kanouno, Edel Denha	6306 S. Dort Hwy	Grand Blanc	MI	48439	(810) 694-6877
Mike & Kate Condon	556 N. Lapeer Road	Lake Orion	MI	48362	(248) 693-0820
Sathyamurthy Thiagarajan, Saravanan Govindaraj, & Annadurai Murguesan	30985 Five Mile Road	Livonia	MI	48154	(734) 855-4942
Mark Davis (Affiliate owned)	15175 Sheldon Rd.	Plymouth	MI	48170	(734) 207-1400
Mike & Kate Condon	1276 Walton Blvd	Rochester Hills	MI	48307	(248) 941-8996
Mike & Kate Condon	13929 Hall Road	Shelby Twp.	MI	48315	(586) 737-0312
Sathyamurthy Thiagarajan, Saravanan Govindaraj, & Annadurai Murguesan	73 E. Long Lake Road	Troy	MI	48085	(248) 813-1330
Mike & Kate Condon	7727 26 Mile Road	Washington Twp.	MI	48094	(586) 677-1566
Adrienne Jankovics & Ashook Vangal	12206 Copper Way, Suite 120	Charlotte	NC	28277	(980) 207-2815
Larry Shifflett	6336 Clemmons Point Dr.	Clemmons	NC	27012	(336) 766-0622
Mark Davis (Affiliate owned)	3040 South Evans Street	Greenville	NC	27834	(252) 756-8900
Tracey & Steve Petrosky	10822 Providence Road, Suite 500	Charlotte	NC	28277	(704) 708-5044
Amy Challgren	13600 Falls of Neuse Rd., Suite 108	Raleigh	NC	27614	(919) 761-5185
Jessica Nuzzo	87 Rte. 111	Smithtown	NY	11787	(631) 979-9000
Darren & Michelle Carbone	2955 Veterans Rd. West, Suite 21	Staten Island	NY	10309	(718) 317-6800
Leonard & Claire Quartaraco	2731 West Market St.	Fairlawn	OH	44333	(330) 869-5433
Jeff Jackson & Tony Beltran	5430 Centre Avenue	Pittsburgh	PA	15232	(412) 621-7666
Hubert Louis	12361 Barker Cypress Rd., Suite 700	Cypress	TX	77429	(832) 334-5674
Abhay Salunke	1513 Stone Hill Drive, Suite 200	Pflugerville	TX	78660	(512) 251-3197
Rob & Linda Hicks	1460 Central Park Blvd., Suite 112	Fredericksburg	VA	22401	(540) 735-4840
Eddy Shibale	4700 42nd. Ave. SW, Suite 200	Seattle	WA	98116	(206) 937-8432

**FRANCHISEES THAT SIGNED, BUT HAVE NOT OPENED**

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Phone</b>
None				

**EXHIBIT G**

**FRANCHISEES WHO LEFT THE SYSTEM IN 2022**

Below is a list of Franchisees who left the system during the most recently completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

<b>Franchisee</b>	<b>City</b>	<b>State</b>	<b>Phone</b>
Muriel Creagan	Kennesaw	GA	(770) 316-2902
Tara Freeman	Dallas	GA	(678) 472-4336
Weston & Jill Norris	Raleigh	NC	(240) 382-0660
Paul Silver	Seattle	WA	(206) 686-5678
Jennifer Feeney	Frederick	MD	(240) 586-4025
Kevin Moen	Federal Way	WA	(253) 508-1705
Vishal Aggarwal	Willowbrook	IL	(847) 971-6987

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

**EXHIBIT H**  
**CONFIDENTIALITY AGREEMENT**

## CONFIDENTIALITY AGREEMENT

THIS AGREEMENT is made as of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between \_\_\_\_\_ (Franchisee) (d/b/a a LaVida Massage Franchise) and \_\_\_\_\_ (“Recipient”)

### WITNESSETH:

WHEREAS, Franchisee is a party to the Franchise Agreement dated \_\_\_\_\_ (“Franchise Agreement”) by and between Franchisee and LaVida Massage Franchise Development, a Michigan corporation located at 7077 Fieldcrest Drive, Suite 600, Brighton, MI 48116 (“Franchisor”)

WHEREAS, Franchisee desires Recipient to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Recipient understand the necessity of not disclosing any such information to any party or using such information to compete against Franchisor, Franchisee, or any other franchisee of Franchisor 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:

#### I. TRADE SECRETS AND CONFIDENTIAL INFORMATION

Recipient 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 and guest process protocols, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, processes, financial data, financial plans, product plans, passwords, lists of actual or potential guests, or suppliers) related to or used in LaVida Massage Centers 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 LaVida Massage Centers that is not commonly known by or available to the public, including without limitation, Trade Secrets and any other information labeled as confidential when shared with Franchisee 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 Franchisor as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve

Recipient of their obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information.

Recipient understand Franchisee's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Recipient and Franchisee with respect to the Trade Secrets and other Confidential Information.

## II. CONFIDENTIALITY/NON-DISCLOSURE

- (a) Recipient must hold the Trade Secrets and Confidential Information in strict confidence and take all reasonable precautions to protect such Trade Secrets and Confidential Information (including but without limitations, all precautions the Recipient employs with respect to its own confidential materials),
- (b) Recipient must not disclose now or in the future any such Trade Secrets and Confidential Information or any information derived therefrom to any third person,
- (c) Recipient must not make use whatsoever now or at any time in the future of such Trade Secrets and Confidential Information except to evaluate internally its relationship with the Franchisee, and
- (d) Recipient must not, now or in the future copy or reverse engineer any Trade Secrets and Confidential Information.

Recipient's obligations of this Agreement shall continue in effect after termination of Recipient'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 communication 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 Recipient or any of its affiliates, becomes an investor, partner, joint venturer, broker, distributor or the like in the LaVida Massage Network.

Immediately upon written request by Franchisee or Franchisor at any time, Recipient shall return to the Franchisee or Franchisor all Trade Secrets and Confidential Information and any and all copies or extracts thereof, save that where such Trade Secrets and Confidential Information is a form incapable of return or has been copied or transcribed into another document, it shall be destroyed or erased, as appropriate.

Recipient understands that nothing herein requires the disclosure of any Trade Secrets or Confidential Information or requires Franchisee to proceed with any transaction or relationship.

Recipient further acknowledges and agrees that no representation or warranty express or implied, is or will be made, and no responsibility or liability is or will be accepted by Franchisee or Franchisor, or by any of its respective directors, officers, employees, agents, or advisors, as to, or in relation to, the accuracy of completeness of any Trade Secrets and Confidential Information made available to the Recipient or its advisors; they are responsible for making its own evaluation of such Trade Secrets and Confidential Information.

## III. 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, Franchisor, and Franchisor's Trade Secrets and other Confidential Information, the System, and the Marks, and Recipient 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 Recipient 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 provision 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.

#### IV. RELIEF FOR BREACHES OF CONFIDENTIALITY

Recipient further acknowledges that an actual or threatened violation of the covenants in this Agreement will cause Franchisee and 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, Franchisee and Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Recipient 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 Franchisor may have at law or in equity.

#### V. MISCELLANEOUS

(a) This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof unless any representation or warranty made about this Agreement was made fraudulently and, save as may be expressly referred to or referenced herein, supersedes all prior agreements, negotiations, and discussions between Recipient and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by authorized representatives of both parties.

(b) Recipient 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 of execution and shall be binding upon the successors and assigns of Recipient and shall inure to the benefit of Franchisee, its subsidiaries, successors, and assigns. Franchisor is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality 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 as 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.

(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.

**Recipient certifies that they have read the entirety of 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 Recipient has executed this Agreement.

WITNESS:

FRANCHISEE

RECIPIENT:

**EXHIBIT I**  
**STATE EFFECTIVE DATES**

## STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration:

California, Hawaii, Illinois, 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 below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	September 10, 2022
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**

**RECEIPT**

## Receipt

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

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

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

The franchisor is LaVida Massage Franchise Development, Inc., located at 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116. Its telephone number is 248-360-6157.

Issuance Date: June 21, 2023

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

I received a disclosure document dated June 21, 2023 that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Tables of Contents of Manuals
- C. Financial Statement
- D. State Specific Addendum
- E. Franchise Agreement and Other Agreements
- F. List of Current Franchisees
- G. List of Former Franchisees
- H. Confidentiality Agreement
- I. State Effective Dates
- J. Receipt

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

Complete Below for a Partnership or Corporation:

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

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

Name of Company: \_\_\_\_\_

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

You should return one copy of the signed receipt either by signing, dating, and mailing it to LMFD at 7077 Fieldcrest Dr, Suite 600, Brighton, MI 48116 or by emailing [legal@lavidamassage.com](mailto:legal@lavidamassage.com). You may keep the second copy for your records.

## Receipt

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

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

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- J. Receipt

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
(Print Name)

Complete Below for a Partnership or Corporation:

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

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

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