

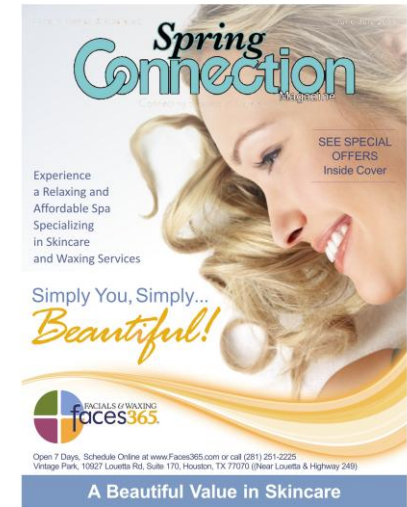
Introducing ...



Where Beauty is Always in Style...

Hot New Franchise Opportunity

- Offering Facials + Full Service Waxing
- Multi-Billion Dollar Skincare Industry
- Health & Wellness Trend
- Performed Well During Downturn
- “Sexy” Category
- Regional Developer Model

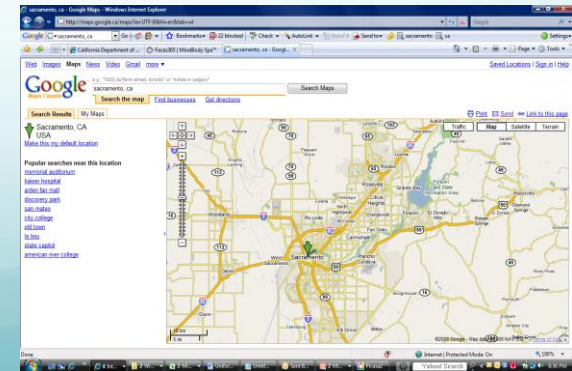


Beauty is Always in Style...



A Great Franchise Opportunity Now!

- Membership model
- Multiple revenue streams
 - Dues, service, product sales
- Reasonable entry cost
 - \$250-300K
- Prime territories
 - Trendy retail centers
 - 2000 sf
- Easier to Manage
 - Through state-of-the art cloud computing software



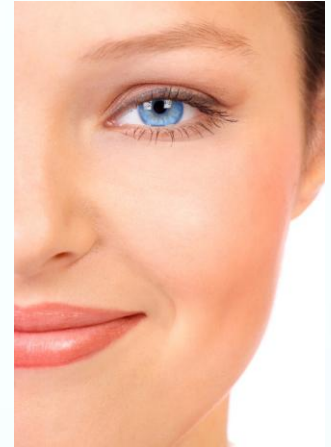
The Spa Market & the Economy

- Spending on personal services has remained strong, down by less than 6% in 2008
- Restaurants down by 43%, clothing down by 38%
- Spa visits UP nearly 17% (iSpa 2009)
- Spending per visit down slightly
- *“Even in a tough economic environment, consumers will try hard to hold on to a few affordable luxuries and indulgences that they cherish.”* K.B. Shirmam, Booz & Company Principal



Consolidation & Branding

- In the '90's we saw branding of hair salons
 - Great Clips, Fantastic Sam's, Super Cuts
- In the 2000's it was health & wellness
 - 24 Hour Fitness, Massage Envy...
- But in spas and beauty services
 - There is no national brand leader in beauty services, (but there are leaders in beauty retailing)
- Aging boomers want to preserve their appearance and vigor. Young adults are focused on anti-aging, and youth has more discretionary income than ever before.
- *The beauty industry is ripe for a nationally branded, cost effective business model that provides standardized, convenient services at affordable prices.*



About Skincare & Waxing

- Facials address all ages/conditions: Clear acne, anti-aging, help reverse damage
- Advanced services: Peels, Micro-Dermabrasion
- Wonderful relaxing experience
- Waxing is a popular method of hair removal, and being “smooth all over” is chic
- Typically a younger demographic
- Facials and waxing are repetitive services
- Both have related product sales

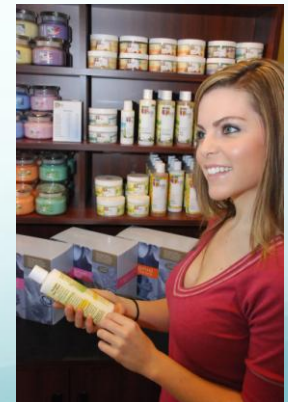


Revenue Streams

- Membership
 - Recurring revenue stream
 - Multiple membership offerings: \$20-75 per month
 - Proven closing percentage up to 20-30%
- Introductory Services
- Member and Guest Services
- Advanced Services
 - Microdermabrasion and Peels
- Product Sales
 - 2 Faces365 lines
 - Yon-Ka of Paris
 - Skincare tools
 - Waxing Products



YON
KA
PARIS



Competitors

Massage

- Searching for incremental revenue rather than deeply embracing esthetics.

Facial

- Lower cost “Curves” model without private rooms, waxing or advanced services.
- NOT offering a regional developer business model.
- Internal franchise sales organization
- Less focused on member sales

Waxing

- Focused only on waxing. Not setup to add facials.
- Not fully leveraging all their staff can do
- Not proven in large volumes across the country



Franchisors' Experience

- Both have previous careers, Master's Degrees
- Bought Massage Envy Region in 2004
- Sold 41 Locations, Opened 33
- Own 2 Highly Successful Locations
- Worked with ME Corporate on Pricing, Operations, etc. Served on National Franchise Advisory Board.
- Experience as Franchisees, Regional Developers, and now as Franchisors



A Unique Regional Developer Opportunity

- RDs earn a recurring royalty in return for:
 - Becoming a local brand leader
 - Recruiting franchise partners
 - Guiding selection of locations
 - Managing a marketing cooperative
 - Building a local team of experts, construction, real estate, staff recruiting, and many other areas.



RDs Help Us Build a Stronger Franchise Network

Key Regional Developer Terms

- Key Terms
 - Receive 50% of each franchise fee
 - Example: Receive \$20,000 for each \$40K initial franchise fee.
 - Receive 40% of franchise royalties
 - Equals 2.4% of franchise gross sales
 - Example: Receive \$1.68 for each \$70 retail transaction
 - 10 year renewable license
- Regional Developer Fee (cost of region)
 - Ranges from \$125,000 to \$347,000 depending on size and demographics of region
- RDs required to build a spa franchise
 - Strengthens franchise network
 - Improves support to franchisees
 - RD may sell the franchise after opening and operating
 - RD may have an operating partner who operates the spa and provides franchisee support



Key Franchise Terms

- Franchise Fee
 - \$40,000 for first location
 - \$29,900 for second and subsequent locations
- 6% royalties, 1.5% national marketing fund
- 10 year initial term, 10 year successor agreement
- Local marketing: the greater of 4% of gross sales or \$2,000/month.
- Protected territory based on demographics and natural boundaries
- Two week training program
- Local support and training provided by Regional Developer



Franchise Costs

	<u>Low Estimate</u>	<u>High Estimate</u>
• Initial Franchise Fee	\$40,000	
• Training Expenses	300	2,000
• Security deposit on real estate	2,550	6,900
• Leasehold improvements	94,000	173,000
• Furniture, Fixtures, & Equipment	35,983	73,182
• Initial Inventory	11,394	13,964
• Three months' lease	10,200	27,600
• Professional fees	4,200	10,000
• Grand opening advertising program	5,000	5,000
• Insurance, deposits, prepaid expenses	3,150	7,000
• Additional funds	<u>19,000</u>	<u>32,000</u>
Estimated Initial Investment	\$225,677	\$390,046



Key Points for Prospects

- *“Own a spa offering professional skincare services with an extensive retail product selection”*
- *“Learn from a proven business model, developed by successful entrepreneurs with franchise experience”*
- *“Enjoy the financial rewards that come from a membership business model”*
- *“Benefit from the network of an emerging national brand”*
- *“Be the first to choose a prime location”*



Validation Platform

- FGS surveyed existing franchisees before representing the Faces365 franchise.
- Received some of the best survey feedback ever!
- Existing Locations
 - Regional Developer in Houston
 - Strong validator. Excellent communicator. Corporate background.
 - Three franchise locations
 - Positive feedback from all locations.



In Summary

- Strong business model demonstrating growth in the current economy
- Seasoned leadership, multiple successes in both the spa and franchise industries
- Focused on profit and growth but at a measured and sustainable pace
- Early adaptors capitalizing on an industry with ample room to run
- Prime territories available for both regional developer and individual unit candidates
- Professional sales material and well defined process with proven close record

