

## FRANCHISE DISCLOSURE DOCUMENT

**Relax The Back Corporation**  
a Delaware corporation

4600 E. Conant

Long Beach, CA 90808-2414

(800) 290-2225

[www.RelaxTheBack.com](http://www.RelaxTheBack.com)



The franchise being offered is for the right to operate a retail store featuring wellness and back-related equipment, furniture, and products that we approve under the trade name “RELAX THE BACK®.”

The total investment necessary to begin operation of a single Relax The Back Store is \$194,750 to \$419,850. This includes \$51,500 that must be paid to the franchisor or its affiliate(s) for your first Relax The Back Store, or \$29,000 to \$31,000 that must be paid to the franchisor or its affiliate(s) for your second or subsequent RELAX THE BACK Store.

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, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Senior Vice President of Franchise Development and Real Estate, Bill McClymonds at 4600 E. Conant, Long Beach, CA 90808-2414, telephone (800) 290-2225.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information on franchising.

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

**Issuance Date: March 29, 2024**

## 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 C and D.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B 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 Relax The Back 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 Relax The Back franchisee?</b>	Item 20 or Exhibit C and Exhibit D list current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration or litigation only in California. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Minimum Royalty.** You must make minimum royalty, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

**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 the Michigan Franchise 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 before 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 the 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 sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

(h) A provision that requires 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 these 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 – 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117

Note: Despite subparagraph (f) above, we intend to fully enforce the arbitration provision of the Franchise Agreement. We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing these arbitration provisions. We will seek to enforce this section as written.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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### **EXHIBITS**

- A. FRANCHISE AGREEMENT AND EXHIBITS
- B. FINANCIAL STATEMENTS
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## ITEM 1

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

#### The Franchisor

Relax the Back Corporation is a Delaware corporation. We began offering franchises for RELAX THE BACK Stores (as defined below) in May 2001 and have owned and operated RELAX THE BACK Stores since November 2016. To simplify the language in this Disclosure Document, Relax The Back Corporation will be referred to as “we,” or “us.” Our principal business address is 4600 E. Conant, Long Beach, CA 90808. We conduct business and operate under our legal name and under the trade name “Relax the Back”. We will refer to the person who buys the franchise as “you” throughout the Disclosure Document, as well as to your owners, if you are a corporation, partnership or other entity. Our agents for service of process are disclosed in Exhibit E.

In addition to franchising RELAX THE BACK Stores, we market back and wellness related products from vendors through a direct mail catalogue and an e-commerce website promoting the Marks (as defined below) and the System (as defined below). We operate two RELAX THE BACK Stores, one located in Burlington, MA and one located in Raleigh, NC (the “Company-Owned Stores”). We have not offered franchises in other lines of business.

#### Parents and Affiliates

Interactive Health, Inc., a Delaware corporation (“IH”) is our parent and sole owner and shares our principal address. Prior to becoming our parent, IH owned two RELAX THE BACK Stores as our franchisee from October 2014 to November 2016, though it no longer does so. IH has never offered franchises for RELAX THE BACK Stores or any other concept, but may do so in the future.

Human Touch LLC, a Delaware limited liability company (“Human Touch”), is a subsidiary of IH and shares our principal business address. Human Touch will sell RELAX THE BACK Stores (as defined below) certain products and inventory. Human Touch has never operated RELAX THE BACK Stores or offered franchises for RELAX THE BACK Stores or any other concept, but may do so in the future.

We have no other parents, affiliates, or predecessors to be disclosed above.

#### The Franchise Offered

We offer franchises to operate retail stores (each a “RELAX THE BACK Store”) selling back-related and wellness products using our franchise system (the “System”) and under our trade name “RELAX THE BACK” and other trademarks and service marks we may periodically designate (collectively the “Marks”). Our current form of Franchise Agreement and related documents are attached to this Disclosure Document as Exhibit A. A RELAX THE BACK store is a carefully designed concept, specializing in products for wellness, the relief, prevention, care, and treatment of back pain and discomfort. The franchise offers guidance and assistance; distinctive interior design and operating specifications and training in site selection, marketing, purchasing, store layout, signage, business operations, inventory, and accounting systems.

#### Market and Competition

Products are marketed to customers of all ages and economic levels, but we have found the majority of our customers to be between ages 35 to 64 and with annual household incomes of \$100,000 or more.

You should expect competition with a variety of local and national retail stores, as well as online stores and direct mail marketers of back related and wellness products.

### Regulations

Some jurisdictions require that sellers of bedding and other home furnishings products be licensed. There may be laws and regulations in your state that apply to the operation of a retail unit selling products such as those offered by our franchisees. In addition, you will need to identify the typical, general laws affecting any retail business. You must comply with all local, state, and federal laws that apply to your store's operation, including health, sanitation, EEOC, OSHA, discrimination, employment, and sexual harassment laws, and emergency orders related to public health or safety. The Americans with Disability Act of 1990 requires accommodation for disabled persons and therefore may affect your building construction. You must obtain real estate permits (such as zoning permits), real estate licenses and operational licenses. You also must comply with all payment card industry ("PCI") Data Security Standards. You will be required to comply with all applicable local, state, and federal laws in the operation of your franchise. We urge you to make further inquiries about these laws.

## ITEM 2

### **BUSINESS EXPERIENCE**

#### Director of RTB; Chief Executive Officer of IH: David Wood

Mr. Wood has been IH's Chief Executive Officer since July 2008. He has been a member of our Board of Directors since November 2016.

#### Board Member & Consultant: Robert Chartener

Mr. Chartener has been our and IH's Director since November 2016.

#### Director: Christopher Daniel

Mr. Daniel has been our and IH's Director since November 2016, and a Partner in us and IH since July 2017. From July 2017 until December 2023, Mr. Daniel acted as a Founder and Partner of Lake Country Capital, a private credit and equity investment firm based in Minneapolis, Minnesota.

#### Director: Pamela Sheiffer

Ms. Sheiffer has served as a Director of RTB and our parent, IH, since November 2016.

#### President: Andrew Cohen

Mr. Cohen has been our President since January 2020. From January 2017 until January 2020, Mr. Cohen was our Chief Operating Officer.

Chief Financial Officer: Bryan Cotter

Mr. Cotter has been our and IH's Chief Financial Officer since November 2018.

Senior Vice President of Franchise Development & Real Estate: Bill McClymonds

Mr. McClymonds has been our Senior Vice President of Franchising & Real Estate since September 2006.

Vice President of Marketing: Leanne Mattes

Ms. Mattes has been our Vice President of Marketing since February 2002.

Vice President of Merchandising: J.D. Nespoli

Mr. Nespoli has been our Vice President of Merchandising since September 2003.

Director of Corporate Stores & Training: Brandi Healy

Ms. Healy has been employed by us since May 2020, including as Director of Corporate Stores and Training since January 2024, Director of Customer Experience and Training from June 2022 to December 2023, and Special Projects Manager from September 2020 to May 2020. Prior to that, she served as a District Manager for American Eagle Outfitters, Inc from March 2018 to August 2020. Ms. Healy is based in Long Beach, California.

Real Estate Manager: Kurt Buehler

Mr. Buehler has been our Real Estate Manager since October 2011.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

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

## ITEM 5

### INITIAL FEES

#### Initial Franchise Fee

You will pay us an initial franchise fee of \$29,500 for your first RELAX THE BACK Store when signing the Franchise Agreement (the “Initial Franchise Fee”). If you served in the U.S. Armed Forces, you will be eligible to receive a \$10,000 discount on the Initial Franchise Fee for your first location. The Initial Franchise Fee for your first RELAX THE BACK Store is non-refundable, except as noted below.

If we terminate the Franchise Agreement because you cannot locate a site acceptable to us within the necessary timeframe or you do not successfully complete our training program, we will refund a portion of your Initial Franchise Fee equal to the lesser of (i) one-half of the Initial Franchise Fee paid by you, or (ii) the Initial Franchise Fee minus our related costs. Our costs may include legal fees, broker commissions, and travel and training expenses. To be eligible for this partial refund, you (and each affiliate of yours) must sign a general release of all claims (“General Release”). Our current form of General Release is attached as Exhibit I.

For your subsequent RELAX THE BACK Stores, the Initial Franchise Fee is \$5,000 due in full upon signing the Franchise Agreement. All amounts paid for subsequent locations are non-refundable and you will not be eligible for any refunds.

We may offer special incentive programs in conjunction with our franchise development activities. These incentives may be offered to existing franchisees. We may modify, withdraw or reinstate any incentive plan in the future without notice to you. As of the date of this Disclosure Document, we offer an incentive plan where we pay \$5,000 to an existing franchisee or vendor who directly refers a person to us who then becomes our new franchisee within 6 months from the referral date. A franchisee is not entitled to a fee if we also pay a broker or referral fee to a third-party.

#### Visual Merchandising Fee

For all stores after your first RELAX THE BACK Store, you must pay us a Visual Merchandising Fee for store design and layout and travel and expense for us to come and assist you in setting up your RELAX THE BACK Store. For your first store, these services are part of your Initial Franchise Fee. This fee is due before you commence operations at the store and is payable in the following lump sum amounts: (1) \$4,000 for a new store, (2) \$3,000 if you acquire rights to an existing store that must be remodeled, or (3) \$2,000 if you acquire rights to an existing store that must be remerchandised. The Visual Merchandising Fee is non-refundable under any circumstances.

#### Initial Inventory

You will purchase an initial inventory package from Human Touch consisting of certain ergonomic seating, wellness, and massage products in an amount of \$22,000. You will pay this fee directly to Human Touch in full at the time of delivery and the payment for the products is not refundable.

## ITEM 6

### OTHER FEES<sup>1</sup>

Type of Fee	Amount	Due Date	Remarks
Continuing Royalty Fee	For your first Store: (i) no fee for first 12 months; (ii) 5% of Adjusted Gross Sales for months 13-24; and (iii) for months 25+, the greater of 5% or \$1,875  For your second or subsequent Store, (i) for the first 12 months, 3% for Adjusted Gross Sales up to \$500,000, then 4% for the remaining year; (ii) 4% of Adjusted Gross Sales for months 13-24; and (iii) for months 25+, the greater of 4% or \$1,875	By the 10th day of each month for preceding month's Adjusted Gross Sales <sup>2</sup>	If your Relax the Back Store opens prior on or before the 15th of any month, that month will be deemed the first month of your operations, and if your Store opens on or after the 16th of any month, that subsequent calendar month will be deemed your first month of operations.  If you at any time cease to continuously operate two or more Relax the Back Stores in good standing, for any reason, your Continuing Royalty Fee will immediately be owed based on the rates for a "first" Store for your remaining Store.
Marketing Fund Fee	2% of Adjusted Gross Sales <sup>2</sup>	By the 10th day of each month	
Digital Marketing Co-Op	2% of Adjusted Gross Sales <sup>2</sup>	By the 10th day of each month	You must pay your contribution to the Digital Marketing Co-Op (defined in Item 11) in the same manner as your Royalty. The Digital Marketing Co-Op is controlled by us and franchisees do not have voting power over the amount of any contribution. We may modify the amount, subject to the cap on your local marketing of 4% of Adjusted Gross Sales (as described in Item 11).
Additional Training/Conventions	None currently charged	As incurred	We may require you or your manager attend additional or ongoing training and conventions. We may charge a fee for such additional training.
Transfer Fee <sup>4</sup>	\$7,500	Upon notice from you of proposed transfer	Paid if you want to transfer your Store, or a direct or indirect interest in your Store or you.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Audit Costs	Costs of audit, in addition to understated amounts	Upon receipt of invoice	Applies only if you fail to submit reports or you understate Adjusted Gross Sales by 2% or more. Includes all costs related to the inspection and audit, such as accounting and attorney fees, travel expenses, any employee compensation.
Inspection Costs	Cost of inspection, including supplier fees, travel expenses, room and board, and compensation of our agents	Upon completion of inspection, if applicable	If we determine after any inspection of your RELAX THE BACK Store that one or more failures of System Standards occurred, and/or we or our agents were for any reason prevented from properly inspecting any or all of your RELAX THE BACK Store, you must reimburse all costs associated with such inspection or re-inspection.
Interest on Late Payments and/or Reports	Maximum legal interest (18% cap)	Payable on Demand	Not to exceed or violate any applicable legal restrictions.
Franchise Renewal Fee	10 years = \$0 5 years = \$12,000	Payable with notice of election to renew (not less than 12 months before expiration)	Non-refundable unless successor agreement is denied.
Management Fees	\$150 to \$250 per day plus costs (subject to change)	At time of occurrence	In the event of your disability, death, or default by you, we may operate the business on your behalf. We may pay ourselves for our management services plus other costs including compensation, travel, meals and incidental expenses of the manager.
Insufficient Funds Fee	\$100 per instance (subject to change)	As incurred	You must pay our then-current fee any time that there are insufficient funds in your designated account to cover our withdrawals of amounts due under your Franchise Agreement.

1) All fees are imposed by and payable to us as provided in the Franchise Agreement, unless otherwise noted. All fees are uniformly imposed and non-refundable, unless otherwise stated. You must participate in our then-current reporting and fee payment programs. If we implement one, you must participate in an electronic funds transfer and reporting program, which would authorize us to

use a pre-authorized bank debit system, including by signing our then-current authorization for such electronic debits (current form attached as Exhibit 9.4 of the Franchise Agreement). We may apply any payments owed by you to any debt of yours that we choose (except for marketing fund payments), set off any amounts owed to you against any amount owed by you to us/certain third parties, and retain amounts received on your account for debts owed to us and/or certain other parties. We may elect to waive and/or credit, reduce or defer payment of any and all fees and charges of any kind in connection with the franchise on a case-by-case basis as we consider appropriate and as permitted by law.

2) “Adjusted Gross Sales” includes all revenue (except sales tax collected and paid when due to the appropriate taxing authority, delivery fees charged, and actual customer refunds, adjustments and credits) which are, or could be, received or earned by you (and/or any affiliate and/or on/for your behalf or benefit) (1) by, at or with respect to your RELAX THE BACK Store; (2) which relate to the type of goods or services which are or could be provided, sold, rented or otherwise distributed at, through or in association with a RELAX THE BACK Store; (3) with respect to any goods or services which are, or could be, distributed in association with the Marks or the RELAX THE BACK System, or the operation of any Similar Business (but our receipt of any royalties with respect to any Similar Business will not constitute approval of your involvement with any Similar Business); and/or (4) with respect to any co-branding activities. All sales and billings, whether collected or not, will be included in Adjusted Gross Sales, with no deduction for credit card or other charges. You are required to meet all financial obligations to us under the Franchise Agreement during any closure of your RELAX THE BACK Store for any reason. Monthly Adjusted Gross Sales will be assumed to be the same as the average monthly Adjusted Gross Sales during the prior 12-month period.

3) If your Adjusted Gross Sales in any calendar year exceeds \$1,500,000, then your Marketing Fund contributions on Adjusted Gross Sales over \$1,500,000 will be 1% of Adjusted Gross Sales for the rest of that year, even if the then current contribution level is higher. Payments are due at the same time and in the same manner as your Continuing Royalty Fee.

4) This fee will be refunded only if we refuse consent to the transfer, or we exercise our right-of-first-refusal. This fee will not be charged for transfers to an Immediate Family member, if that person has managed the store for the previous 2 years, or for transfers to wholly owned entities made by you within 90 days of acquiring this Franchise. (See Section 9.1 of the Franchise Agreement).

## ITEM 7

### ESTIMATED INITIAL INVESTMENT

#### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount <sup>1</sup>	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee <sup>2</sup>	\$5,000 to \$29,500	Lump sum	On signing FA	Us
Real Property Improvements <sup>3</sup>	\$0 to \$75,000	As Arranged	As arranged	Lessor, vendors, contractors, architects, as applicable
Rent/Security Deposit <sup>4</sup>	\$5,000 to \$20,000	Lump sum	As arranged	Lessor

Type of Expenditure	Amount <sup>1</sup>	Method of Payment	When Due	To Whom Payment is to be Made
Equipment, Fixtures, & Supplies <sup>5</sup>	\$33,230 to \$55,000	As Arranged	As Arranged	Suppliers
Initial Inventory <sup>6</sup>	\$22,000	As Arranged	As Arranged	Human Touch
Other Inventory <sup>7</sup>	\$74,900 to \$109,000	As Arranged	As Arranged	Suppliers
Training Related Expenses <sup>8</sup>	\$2,000 to \$7,500	As Arranged	As Arranged	Vendors
Grand Opening Expenses <sup>9</sup>	\$10,000	As Arranged	During first 90 days of operation	Printers, Vendors, Media
Insurance <sup>10</sup>	\$3,000 to \$5,000	As Arranged	As Incurred	Carriers or Brokers
Exterior Signs <sup>11</sup>	\$6,600 to \$19,800	As Arranged	As Arranged	Vendors
Computer Hardware & Software <sup>12</sup>	\$3,020 to \$3,050	As Arranged	As Incurred	Vendors
Visual Merchandising Fee <sup>13</sup>	\$0 to \$4,000	Lump sum	Upon Completion of Service	Us
6 months' Additional Funds <sup>14</sup>	\$30,000 to \$60,000	As Arranged	As Incurred	Suppliers, Employees, Tradesmen
<b>ESTIMATED TOTAL<sup>15</sup></b>	<b>\$194,750 to \$419,850</b>			

1) Unless otherwise noted in this Disclosure Document, none of the expenditures paid to us or our affiliates are refundable.

2) You will pay an Initial Franchise Fee of \$29,500 for your first location and \$5,000 for the second or subsequent Stores as described in Item 5.

3) You will be required to build-out the premises to conform to our standards and specifications. Build-out costs may be included in lease costs or installed by you at your own cost. The range provided includes estimated construction/remodel costs, architectural fees and other related expenses. Your build-out may be \$0 if the premises was previously used as a retail store and/or the landlord offered tenant improvement allowances. Your actual costs will depend on a number of factors, including construction wages and prevailing labor costs, the extent of architectural and design services employed, and any loan packaging fees. The range provided does not reflect extensive/high end store remodels or buildouts, which are not required or recommended.

4) You either must own or lease acceptable space to operate your RELAX THE BACK Store. The typical RELAX THE BACK store has between 2,250 and 3,000 square feet. Costs will depend on location, terms of lease (if applicable), market conditions, space and numerous other factors. The figures above include a typical Store's estimated first month's rent, depending on market conditions. Security deposits are generally required. Each security deposit and prepaid rent amount is determined by the lease you enter and are held by the lessor. Security deposits may be refunded per the terms of the lease.

- 5) You are required to buy certain equipment meeting our specifications, including decoration, and fixtures. This estimate does not include taxes or shipping.
- 6) As described in item 5, you must purchase an initial inventory package from Human Touch consisting of certain seating, home office, and massage chair products. Inventory can vary from store to store, depending on a variety of factors, including store size, geographic area, and market preferences.
- 7) We also require you to purchase from our approved suppliers a minimum opening inventory of core products designated by us. The categories and types of core inventory you are required to purchase will not vary among Stores, though the quantity of each item that you are required to stock might vary. The range provided above is the estimated cost of such required opening inventory. Your costs will depend on the quantity and related costs of items selected by you for purchase in addition to the opening inventory amount and/or to replace any products sold.
- 8) The Initial Franchise Fee covers an initial training program that is mandatory for you and your initial RELAX THE BACK store manager. You are responsible for all costs associated with attendance at the program, such as travel, lodging, meals, transportation and incidental expenses incurred by you and your manager. The range provided assumes attendance by 2 people. However, costs will depend on the distance you are required to travel and your personal travel preferences.
- 9) You will spend at least \$10,000 on a grand opening marketing program, using marketing, advertising, and public relations programs, media and materials approved by us. We will furnish advice and guidance to you with respect to the program for you to follow.
- 10) You must maintain policies of insurance issued by carriers approved by us covering various risks: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, your RELAX THE BACK Store; (2) all risk property and casualty insurance for the replacement value of your RELAX THE BACK Store and all associated items; and (3) business interruption insurance. We may reasonably require different and/or additional kinds of insurance at any time. We describe the minimum limits for this coverage in Item 8.
- 11) You must purchase exterior signage meeting our specifications. We must approve all signage before local approval, production, and installation.
- 12) You must lease the point-of-sale system meeting our specifications. The system we require currently is provided by our designated leasing company for \$640 to \$650 per month in total licensing/leasing costs. The total cost will depend on factors unique to your RELAX THE BACK Store, such as the connectivity, layout, terminals, and similar factors. You must also purchase a license to use QuickBooks software, which currently includes a \$500 set-up fee plus a fee of \$200 per month. Our estimate above includes the cost of the set-up plus three-months of monthly costs for both the point-of-sale and QuickBooks software.
- 13) The Visual Merchandising Fee covers the services we provide to you in connection with the set up and merchandising of your store. This fee is included in the initial franchise fee for your first location, but you must pay us a Visual Merchandising Fee for your subsequent stores prior to commencing operations at the subsequent stores. The Visual Merchandising Fee is payable in the following amounts: (1) \$4,000 for a new store, (2) \$3,000 if you acquire rights to an existing store that must be remodeled, or (3) \$2,000 if you acquire rights to an existing store that must be remodeled.

14) This is an estimate of the funds needed to cover certain business (not personal) expenses during the first 6 months of operation of the franchised business, such as rent, payroll, utilities, taxes, loan payments, inventory purchases and other expenses. We relied on our and our staff members' experience in compiling this estimate.

15) These figures do not include the purchase price of an existing franchised RELAX THE BACK Store, which is established directly between the buyers and sellers. The estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living" or other expenses you may have or, royalty payments, Marketing Fund contributions, debt or financing costs, state sales and/or use taxes on goods and services, manager and other employee wages, salesperson draws and commissions, and other amounts not described above. We do not offer direct or indirect financing for any part of the initial investment of a RELAX THE BACK Store.

## ITEM 8

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

Your RELAX THE BACK Store will purchase, use and offer each of, and only, such types, brands and/or quality of designated equipment, products and services as we designate. When required, you will use only suppliers designated by us. Designated and sole suppliers of certain products and services may include, and may be limited to, us and/or companies affiliated with us. As of the date of this Disclosure Document, you must purchase certain seating and massage chair products from Human Touch. Otherwise, you are not currently required to purchase any products or supplies from us or our affiliates.

You must lease and/or purchase equipment, fixtures, furniture, trade dress items, supplies, inventory, computer hardware and software, and back-related products meeting our standards and specifications from our approved suppliers. We maintain a list of approved suppliers who are selected based on product quality, service, and pricing, among other factors. As applicable, we will provide you with standards, specifications and a list of approved vendors and items. We may change the list at any time.

Except for products and services that are available from a single source, you may request approval of alternate suppliers. To obtain our approval of a supplier you or the supplier must submit to us (in writing) the information and the items that we consider appropriate, including among others: financial and business condition and reputation, facilities, distribution structure, insurance, credit rating, warranty, and credit policies as well as product information and samples, test results, photographs, records or production, and specifications. The supplier must also arrange for a demonstration of the equipment/products at our company headquarters, currently in Long Beach, California. We will notify you whether you are authorized to purchase or use the proposed item or to deal with the proposed supplier within 30 days following our receipt of the necessary information.

Except as noted above with respect to inventory from Human Touch, neither we nor any affiliate is an approved supplier of any products or services, though we may be in the future. During our fiscal year ended December 31, 2023: (1) we derived \$21,866 in revenue from franchisee purchases, which is 0.27% of our overall 2023 revenue of \$8,205,554; and (2) our affiliate Human Touch derived \$9,762,057 from sales to franchisees. Other than disclosed in this Item 8, neither we nor our affiliates derived any revenue from the sale of products or services to franchisees. No officer of the franchisor owns an interest in any of our suppliers other than ownership interests in Human Touch.

You must maintain policies of insurance issued by carriers approved by us covering various risks. We currently require comprehensive general liability insurance with not less than \$1,000,000 single limit coverage and a \$2,000,000 aggregate, and (for stores with annual Adjusted Gross Sales of \$1,000,000

or more), supplemental “umbrella” coverage of an additional \$1,000,000. You must furnish us with certificates of insurance on all insurance policies showing the coverage and payment of premiums required by your Franchise Agreement and naming us as an additional insured. We may reasonably require different and/or additional kinds of insurance at any time.

We may receive payments from vendors and suppliers based on your purchases, but during our last fiscal year, any such benefits or funds were remitted directly to the Marketing Fund or to the franchisees (in the amount of \$901,477 during our fiscal year ended December 31, 2023, which represents 11.0% of our overall 2023 revenue of \$8,205,554). We anticipate that we may receive in the future funds or economic benefits from vendors in connection with their participation in the system convention. Any such benefits first will be directed to offset convention expenses, and we may keep any surplus benefits as revenue.

We do not participate in any purchasing or distribution cooperatives, other than the Digital Marketing Co-Op described in Item 11 for consolidated purchasing of digital marketing. We do not provide material benefits to franchisees based on their purchase of particular products or services. We currently do, but are not obligated to, negotiate certain purchasing arrangements, including price terms, for the benefit of franchisees. The estimated proportion of the required purchases from approved suppliers and purchases in accordance with our specifications to all purchases in establishing the business is 80% to 90% and in the operation of the business is 50% to 65%.

## 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 Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition / lease	3, 16.1, Exhibit 3.2 of the Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	3, 10.2, 10.10	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	3	Items 6, 7, 8, and 11
d. Initial and ongoing training	5, 10.5	Items 6, 7, and 11
e. Opening	3.6-3.7	Items 6, 7, and 11
f. Fees	9, 10.8, 11.1, 14.3, 15.2	Items 5, 6, 7, 11, and 17
g. Compliance with standards and policies / Operating Manual	3.3, 3.5, 5.3, 10, 15.2	Items 8, 11, 12, 16, and 17
h. Trademarks and proprietary information	6, 8.1, 17.2-17.4	Items 13, 14, and 17
i. Restrictions on products/services offered	2.2, 10.2	Items 8, 11, 16, and 17

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item in Disclosure Document</b>
j. Warranty and customer service requirements	10.9	Item 6
k. Territorial development and sales quotas	2.2, 16.3	Items 12 and 17
l. Ongoing product / service purchases	10, 12.1	Items 7 and 8
m. Maintenance, appearance and remodeling requirements	5.3, 6.2, 6.4, 10.1-10.2, 14.3, 15.2, 17.2	Items 6, 11,13, 14, and 17
n. Insurance	10.6	Items 6 and 7
o. Advertising	3.7, 6, 11	Items 6, 7, and 11
p. Indemnification	3.1, 7.4, 19.4, 19.6 and 19.7	Item 11
q. Owner’s participation / management / staffing	5.1, 10.5	Items 6, 7, 11, and 15
r. Records and reports	12	Items 6, 8,11, and 17
s. Inspections and audits	13, 16.3	Items 6 and 17
t. Transfers / Our Right of First Refusal	14	Items 6 and 17
u. Successor Franchise	15	Items 6 and 17
v. Post-termination obligations	8.2, 17, 19.1	Item 17
w. Non-competition covenants	8.2, 17.4-17.6	Item 17
x. Dispute resolution	19	Item 17
y. Franchisor Management / Franchise – default	16.8	Items 6 and 17
z. Our Right to Purchase Franchise Assets	17.6	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, Relax The Back Corporation is not required to provide you with any assistance.**

Before your RELAX THE BACK Store opens, we will:

- (1) provide you with site evaluation information to be used by you for each potential RELAX THE BACK store site. You must return the completed form to us prior to our review of a proposed location. (Franchise Agreement, Section 3.1);

- (2) provide you with standards, specifications and any requirements for design, layout, equipment, furniture, fixtures, signs and other items (other than our delivery of the initial inventory that you purchase from Human Touch as described in Item 8, we do not deliver or install equipment, furniture, fixtures, signs and other items in your RELAX THE BACK Store). (Franchise Agreement, Section 3.3);
- (3) review each real property lease, all of which are subject to our approval and should contain certain terms, which we will provide to you. (Franchise Agreement, Section 3.2 and Exhibit 3.2 to the Franchise Agreement);
- (4) provide you with information about the equipment, products, signs and other goods that you must use to open and operate your store, including your core inventory requirements, and about their respective approved/designated suppliers. (Franchise Agreement, Sections 3.3, 10.1, 10.2 and 10.10);
- (5) provide you (and your initial manager, if applicable) with training. (Franchise Agreement, Section 5.1);
- (6) give you notice if and when we determine that your Store is ready for opening, within 5 days of which you will open for business. (Franchise Agreement, Section 3.6);
- (7) provide you with advice and guidance regarding a grand opening marketing program. (Franchise Agreement, Section 3.7, 9.8); and
- (8) loan you one copy of (or provide you electronic access to) the RELAX THE BACK Manual(s). (Franchise Agreement, Section 5.3).

### **Our Obligations During the Operation of Your Business**

Once your RELAX THE BACK Store opens and if you are a franchisee in good standing, we will:

- (1) furnish guidance to you with respect to operating your RELAX THE BACK Store, including through the Manuals, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your franchise location. (Franchise Agreement, Section 5.2)
- (2) offer to provide on an annual, tuition free basis a minimum of one training session of our choosing at your RELAX THE BACK Store (or virtually, at our election). We also may conduct an annual visit for general business purposes (or virtually, at our election), which may be combined with a training session in satisfaction of both annual obligations. (Franchise Agreement, Section 5.1);
- (3) loan you any modifications, additions and or revisions to the RELAX THE BACK Manuals when, if and as we may develop them (Franchise Agreement, Section 5.3);and
- (4) disclose to you Confidential Information (as defined in the Franchise Agreement) for the operation of your RELAX THE BACK Store. (Franchise Agreement, Section 8.1).
- (5) we may specify minimum and/or maximum prices above which you will not provide any goods or services. (Franchise Agreement, Section 11.1).

## **Marketing**

### **Marketing Fund**

We have instituted an advertising, publicity, and marketing fund (the “Marketing Fund”) for the advertising, advertising-related, marketing, and/or public relations programs, services, and/or materials that we consider appropriate to promote RELAX THE BACK franchises. You must contribute to the Marketing Fund 2% of Adjusted Gross Sales. (Franchise Agreement, Section 11.1). The Marketing Fund may place advertising in any media. We may prepare advertising, and we may employ outside advertising agencies. We have no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to the contributions to the Marketing Fund by RELAX THE BACK Stores operating in any geographic area, or that any RELAX THE BACK Store will benefit directly or in proportion to its contribution to the Marketing Fund. We are not required to spend any amount (whether from the Marketing Fund or otherwise) on advertising in your area. We need not direct any portion of the Marketing Fund to advertising in your geographic area or territory. We have no obligation to cause other RELAX THE BACK Stores, including Company-Owned Stores, to contribute to the Marketing Fund at the same rate as you. Currently, the Company-Owned Stores contribute to the Marketing Fund on the same basis as RELAX THE BACK franchisees.

We have control over all matters relating to the Marketing Fund consistent with its purposes and the Franchise Agreement, and with due consideration to Franchise Association Board (“FAB”) (as discussed below) input when required. This includes, among other things, decisions regarding Marketing Fund management, its financial matters, expenditures, receipts and/or investments, timing of expenditures, media placement and allocation. The Marketing Fund may be used for the benefit of the RELAX THE BACK brand to (among other things) pay costs of marketing programs (including public relations), “brand/image advertising” and other marketing programs, online marketing, in-store and truck signage, preparing, producing, distributing and using marketing, advertising and other materials and programs administering national, regional and other marketing programs, purchasing media, administrative costs, employing advertising, public relations, internet, social media and other agencies and firms and supporting public relations, market research and such other advertising and marketing activities to promote current and/or future stores and the Brand, as well as any reasonable expenses associated with any FAB or other franchisee advisory group meetings and activities as approved by us. We may use the Marketing Fund to compensate and reimburse any of such persons/entities (including ourselves) as we deem appropriate (including payment of commissions) and to compensate ourselves and/or others for administrative and other services, materials, etc., rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us must be reasonable in amount.

You must participate in all marketing programs instituted by the Marketing Fund or us. The Marketing Fund may furnish you with copies of marketing, advertising and promotional materials and you will pay the cost of producing/distributing actual items (TV commercials, video content, newspaper advertisements, radio ads, etc.) to be used by you plus shipping and handling. We may use the Marketing Fund to share with a co-advertiser a reasonable portion of the costs of advertising, marketing and/or public relations programs, services and/or materials with respect to any co-branding, dual franchising or other co-sponsored programs.

We will account for the Marketing Fund separately from our other funds. We will use commercially reasonable efforts to maintain the Marketing Fund as a distinct taxable entity. We may spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year. If we spend less than the aggregate contributions to the Marketing Fund in a given year, we will carry that amount over to our next fiscal year. All interest earned on monies contributed to, or held in,

the Marketing Fund will be contributed to the Marketing Fund. We do not use any percentage of the Marketing Fund for advertising that principally is for the solicitation of new franchise sales.

We may provide FAB with the opportunity to review and give input regarding the annual Marketing Fund budget and plan. While we are not required to seek the approval of the FAB in connection with any matter relating to such plan or budget, any approval of a matter by a majority vote of the FAB binds you. Financial statements showing the collections and expenses of the Marketing Fund will be prepared and furnished to the FAB upon request. You may obtain a copy of these financial statements by requesting them from us in writing. Our current policy is to provide them on an annual basis, though we are not obligated to meet that schedule. We may elect to produce audited Marketing Fund financial statements, in which case any related costs will be paid by the Marketing Fund and we will distribute a copy of those audited statements to all franchisees obligated to pay Marketing Fund contributions.

For the 2023 fiscal year, Marketing Fund expenditures were spent in the following ways:

Catalogue production and distribution	48%
Paid search, SEO, Social Media and other	26%
Marketing salaries	14%
Other miscellaneous expenses	12%
<b>TOTAL</b>	<b>100%</b>

### Local Store Marketing

Beginning during the month in which your first payment of a Continuing Royalty Fee is due and continuing during each month thereafter for the full term of your Franchise Agreement, you will spend for local advertising and promotion of your RELAX THE BACK Store (including direct mail programs, and online directory listings and advertising, but excluding discounts, coupon redemptions, and the cost of products or services given without charge) not less than 4% of Adjusted Gross Sales each month (currently, 2% of this amount will be paid by you to the Digital Marketing Co-op described below).

Before their use by you, samples of all advertising and promotional materials and programs for any medium (including any use of the Online Presence, as defined below) not prepared or previously approved by us must be submitted to us, in the form and manner prescribed by us from time to time, for our review and consent, which we may grant, withhold or condition as we see fit. If written disapproval is not received by you within 15 days from the date of receipt by us of such materials, we will be deemed to have given the required consent, but we can later retract any consent (whether express or as a result of such failure to respond) by notice to you. You will not use any items that we have disapproved or that do not include the copyright, trademark and other notices required by us. We may require that a brief statement about the availability of information regarding the purchase of RELAX THE BACK franchises be included in all advertising used by you and that a brochure regarding purchase of RELAX THE BACK franchises be placed in a prominent location in your RELAX THE BACK store. Your local marketing efforts will include catalogue mailings to a minimum of 1,000 customers annually. You must submit verifications of your expenditures for local advertising and promotion at the times and in the format that we periodically request.

You will not be permitted to use any website, domain name, email address, social media account or use, streaming media account or use, username, other online presence or presence on any electronic, virtual, or digital medium of any kind (each an “Online Presence”) to promote your RELAX THE BACK Store or use any of the Marks in any manner on any Online Presence without our prior written consent. If we consent to your use of any Online Presence, we may also require you to sign our then-current policy for use of any such Online Presence. We will control all advertising and promotional initiatives

conducted through any Online Presence. You must comply with our guidelines regarding the use of any Online Presence in your RELAX THE BACK Store operation, including prohibitions on your and your store's employees posting or blogging comments about the store or the System, other than on an Online Presence established or authorized by us. You will be required to regularly update any branded Online Presence to which we have provided you access in accordance with our guidelines. We will have the right to conduct collective/national campaigns via local any Online Presence on your behalf.

### Grand Opening Marketing

You will spend at least \$10,000 on a grand opening marketing program during the first 90 days of operating your RELAX THE BACK Store, for which you will only use marketing, advertising and public relations programs, media and materials consented to by us. We will furnish advice and guidance to you with respect to such program, which you will follow.

### Advertising Co-Ops

We may at our option establish and/or recognize one or more cooperative associations and/or sub-associations of Relax The Back franchisees covering territories that include your Relax The Back Store. Each association may adopt bylaws and other governing documents, which are subject to our approval. We may require that you join the applicable local and national association, contribute to them, and comply with the rules, regulations, and procedures of any association of which you are a member. Each association may adopt its own rules, regulations, and procedures subject to consent by us. We may require these cooperative associations to change, dissolve, or merge with other cooperatives.

Currently, we have established one advertising co-operative to consolidate digital marketing spend for Relax The Back franchisees (the "Digital Marketing Co-Op"). The territory of the Digital Marketing Co-Op is national and the expenditures may be in any location in the United States. You are required to contribute 2% of Adjusted Gross Sales to the Digital Marketing Co-Op, and comply with the rules, regulations, and procedures of the Digital Marketing Co-Op. Relax The Back Stores that we or our affiliates operate will contribute to the Digital Marketing Co-Op on the same basis as franchisees. We have sole administrative control over the Digital Marketing Co-Op and its expenditures. The terms and conditions of the Digital Marketing Co-Op are designated by us in a memo that we distribute to franchisees periodically, and/or in our Manual, each of which is subject to change. There are no other governing documents for the Digital Marketing Co-Op. We will provide reports of expenditures from the Digital Marketing Co-Op to franchisees in good standing on a quarterly basis, otherwise we do not provide any financial statements or reports for the Digital Marketing Co-Op. We have the right to modify, amend, or terminate the Digital Marketing Co-Op at any time.

### Franchisee Association Board

The Franchisee Association is the association representing a majority of RELAX THE BACK franchisees. Contact information for the Franchisee Association is included in Item 20. The Franchisee Association consists of the governing board and each board member will be elected by participating franchisees (except for the non-voting advisory member that we appoint). All RELAX THE BACK Franchisees who are in good standing under the Franchise Agreement are entitled to vote in an election. Any RELAX THE BACK Franchisee in good standing under the Franchise Agreement may nominate, or be nominated as, a candidate in any election. Each Franchisee will be entitled to one vote, although for the first year you will have no voting privileges. The Franchisee Association will ask you to join as a member. Membership is voluntary, but you are strongly encouraged to join. Currently, the initiation fee is \$400 with a \$1,000 annual fee (with the first year of dues waived for the first store). A new franchise owner

who purchases an existing franchise location will assume the membership of the prior owner until its expiration (annually).

The Franchisee Association serves in an advisory capacity and also approves certain expenditures of the Marketing Fund, including the hiring of any third-party to perform services on behalf of the Marketing Fund when such third-party is expected to charge more than \$10,000 for its services. The Franchisee Association has formed certain sub-committees to advise us on the Marketing Fund, but those sub-committees do not have the power to bind the Marketing Fund. From time to time, we may form additional committees to provide input on specific topics of system-wide or regional importance to our franchisees (e.g., operations, technology, etc.). Membership of the committees will consist of members selected by us.

#### Franchisee Association and Board Seat

We will provide one non-voting advisory seat on our Board of Directors for input directly related to the Relax The Back system. The advisory seat is to be filled by a representative selected by a majority of the governing body of the Franchisee Association to act as a liaison between the Franchisee Association and our Board. Our providing this seat is subject to the provisions of the Franchise Agreement and the Franchisee Association providing one non-voting advisory seat on the Franchisee Association's governing body (e.g., Board of Directors) to be filled by a representative selected by us. (Section 7.6 of the Franchise Agreement).

#### Input from Franchisee Association, FAB, Merchandising Committee and Marketing Committee

We may seek Input from the FAB and the Franchisee Association or other groups or committees (individually and collectively, "Franchisee Advisory Groups") with regard to certain matters as specified in your Franchise Agreement, and as we consider appropriate. The final decision in such matters will remain ours, unless the Franchise Agreement requires the applicable Franchisee Advisory Group's approval. Any approval of a matter by a majority vote of the FAB will be fully binding on you, regardless of whether or not such approval is required under the Agreement. We will be bound by a majority vote of the FAB on a matter only in those instances in which FAB approval is required under the Franchise Agreement. Except as may be otherwise described in the applicable bylaws or governing agreement, we may form, modify or dissolve any Franchisee Advisory Group as we determine necessary.

#### Computer Point-of-Sale System

You must purchase the hardware, software, training, technical support, and other services, as further specified in the Manuals or otherwise in writing, from a supplier approved by us. Currently, we require you to obtain and set-up at your RELAX THE BACK Store the following hardware and software before you open for business, and maintain them during the term of your Franchise Agreement: (i) a designated point-of-sale system of hardware and software, and (ii) QuickBooks software. As of the date of this Disclosure Document, the estimated cost to set-up and operate the Computer System for the first 3 months is \$3,020 to \$3,050. Except as noted below, we may modify the minimum computer hardware and software requirements at any time, and you must comply with all such modifications at your sole expense. We will not require an update of your computer hardware costing more than \$10,000 more than once every 5 years unless an earlier update recommended by us is approved by the FAB.

We have independent and unlimited access to the information regarding your franchise operations generated and stored on your computer.

## **Operations Manual**

As of the effective date of this Disclosure Document, the operations manual we provide to you includes 11 sections (the “Manual”). The current Table of Contents of this Manual is included as Exhibit F to this Disclosure Document and has a total of 273 pages.

## **Site Selection**

You must receive our approval of any site for the premises of your RELAX THE BACK Store. In connection with any proposed location, we will supply you with a site evaluation form, which you must promptly complete and return to us prior to our review and possible acceptance of any proposed location. Before signing by you and your landlord, you must submit to us a copy of the proposed store lease for our approval. You must use commercially reasonable efforts to have the lease contain the terms specified in the Franchise Agreement, which includes among other terms the landlord’s agreement to accept an assignment of the lease to us if we elect to assume the lease. Your site must be obtained within 12 months from the date of the Franchise Agreement. You must not make any commitments with respect to any location, nor should you operate a store or use any of the Marks, unless we have accepted the site and approved the lease in writing. If you are unable to locate a site acceptable to us, we may terminate the Franchise Agreement and refund a portion of the initial franchise fee paid by you, subject to certain conditions.

We will not unreasonably withhold our acceptance of a site that meets our standards. We consider a variety of factors in evaluating a proposed site. Some of the factors are site location, site economics, area demographics, makeup of other co-tenants, traffic density, type of shopping center and visibility, parking and ingress/egress. We have no contractual requirement to consent to the location you select for your store within a specified period of time.

## **Length of Time Between Signing of the Agreement and Beginning Operations:**

The length of time between execution of the Franchise Agreement and the opening of your new RELAX THE BACK Store is typically 4 to 10 months. Factors affecting this length of time include the selection and approval of the site, financing, negotiation of a lease, construction or remodeling of the facility, local ordinance and/or building code compliance, installation of equipment and signs, completion of our training program, implementation of advertising and grand opening programs, and delivery and stocking of inventory. You must open your RELAX THE BACK Store for business within 5 days after we give notice to you stating that your RELAX THE BACK Store is ready for opening. Your failure to open within 12 months is a material breach of the Franchise Agreement.

## **Training**

You (and your initial store manager, if applicable) must successfully complete our initial onboarding training program to our satisfaction, at a time and place (or virtually, at our election), and for such period, as we designate in our judgment, before beginning operation of your RELAX THE BACK Store. Currently, the program includes departmental training through Relax The Back University (“RTBU”) to be held virtually and includes a minimum of 10 days of “on the job” training at a RELAX THE BACK store we designate. There is no training fee in connection with RTBU; however, you are responsible for all of the expenses you and your employees incur in connection with attending RTBU.

We typically schedule an RTBU program as needed throughout the year, and you can expect to complete training sometime between 2 weeks and 3 months following the signing of the Franchise Agreement. We may hold training schools more or less frequently, depending upon the number of new

franchise owners at a particular time. We schedule RTBU depending upon the number of new Relax The Back franchisees at a particular time. You can expect to complete training sometime between 2 weeks and 3 months following the signing of your Franchise Agreement.

The RTBU program uses the online training portal, Manual, computer software, and other materials we may adopt. Training covers operation and management of the franchised business, and includes merchandising and product selection, computer operations, marketing, employee hiring and management, daily operations, and general business organization. We maintain a staff within our organization that has training responsibilities, as well as on-going duties in the company.

Mr. Andrew Cohen, Ms. Leanne Mattes, Mr. J.D. Nespoli, and Mrs. Brandi Healy, along with other RTB employees with at least 6 years of experience in the training subject matter, supervise RTBU.

Mr. Andrew Cohen has over 21 years of experience with us and our affiliates, and over 23 years of experience in the matters being taught. Mrs. Brandi Healy has over 4 years of experience with us and our affiliates, and over 21 years of experience in the matters being taught. Ms. Leanne Mattes has over 22 years of experience with us and our affiliates, and over 23 years of experience in the matters being taught. Mr. Nespoli has over 20 years of experience with us and our affiliates, and over 21 years of experience in the matters being taught. We currently provide the following training:

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Product knowledge	10	15	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
Relationship Selling skills	5	20	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
Point-of-Sale system	5	20	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
Franchise Operations – business planning, financial management, human resources, intranet	5	20	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
Merchandising	5	10	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
Marketing	5	10	Corporate headquarters in Long Beach, CA or another RELAX THE BACK store we specify in writing (or virtually).
<b>Total</b>	<b>35</b>	<b>95</b>	

Instructional materials will include some or all of the following: (1) hands-on training in RELAX THE BACK stores; (2) presentations, quizzes, role plays, and training kit; (3) POS training; (4) Web-based training; (5) handouts and catalogue; and (6) our Manual.

You and your manager must attend additional and/or refresher training programs conducted at locations specified by us (or virtually), including national and regional conferences, conventions, and meetings. Your other employees may be required to attend mandatory training programs presented by us at your RELAX THE BACK Store (or virtually). You will be responsible for all travel, living, incidental and other expenses and compensation of you and your personnel attending any training program. We may charge a fee for any optional training programs.

In addition, we will offer, on a tuition-free basis, a minimum of one training session of our choosing at your RELAX THE BACK Store (or virtually). We also may conduct on an annual basis a minimum of one visit for general business purposes (or virtually), which may be combined with a training session.

Subsequent managers also must attend and complete our training program before managing your store operations. We may require training by all of your supervisory personnel at such times and places as we designate. Currently, certain sales associates and other staff are encouraged, but not required, to attend. We may charge a reasonable fee for training of subsequent managers and/or other supervisory personnel, unless otherwise expressly agreed by us in writing. Any training we provided to any of your employees will be limited to training or guidance regarding the delivery of approved products to customers in a manner that reflects the customer service standards of the System.

We are not required to send any of our representatives to your Relax The Back Store to provide any training, assistance, or services (all of which we may provide virtually).

## **ITEM 12**

### **TERRITORY**

#### **Franchise Agreement Generally**

You will not receive an exclusive territory. You may face competition from other franchisees, from other outlets we own, or from other channels of distribution or competitive brands that we control. However, so long as you are in compliance with the Franchise Agreement, you will receive a protected territory to be located inside the area identified in an exhibit to the Franchise Agreement (the "Territory"). We grant you the right to operate your RELAX THE BACK Store at a single location. Your Franchise Agreement does not grant you any rights to the award of any additional franchises or territories. (Sections 2.1 and 2.2 of the Franchise Agreement) We establish the Territory after considering geographic, market, population, and other relevant factors, as well as our overall development strategy. The size of a Territory is determined by us and varies from franchise to franchise, but frequently is comprised of an area that forms a 2 to 3 mile radius around the approved site. Some territories may be political divisions (e.g., city, town, state) or established by map references.

You may not offer or provide products and services through alternative channels of distribution such as the Internet, catalog sales, digital, or other direct marketing without our consent.

We and our affiliates may at all times during and after the term of the Franchise Agreement engage in all other activities that we deem appropriate, including the use of alternative channels such as the internet, mail order and other distribution methods to offer and sell products using the RELAX THE BACK brands, which are the same and/or similar to those offered by you. Additionally, we may:

- (i) own and/or operate ourselves, and/or authorize others to own and/or operate:

a) any kind of business in the Territory, except for a Traditional RELAX THE BACK store;  
and

b) any kind of business outside of the Territory, whether or not using the RELAX THE BACK Marks and System, including Traditional RELAX THE BACK stores;

(ii) sell, and/or authorize others to sell, RELAX THE BACK brand (or any other brand) products and services (whether or not competitive) to customers located anywhere by catalogue and Internet only, except as provided in subsections iii) through vi), below;

(iii) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the RELAX THE BACK System and/or the Marks, and/or award franchises under such other concepts for locations anywhere. However, if any concept development opportunity involves the location of a physical unit inside the Territory for the distribution of competitive, back-related products/services, we will provide you with a right of first refusal for such an operation according to the process outlined in Section 2.2 of the Franchise Agreement;

(iv) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses with units located anywhere. A transaction may include arrangements involving competing outlets and brand conversions (to or from the RELAX THE BACK Marks and System). You must participate at your expense in any such conversion as may be required by us, as provided in the Franchise Agreement. We will permit you a reasonable period of time to complete such a conversion (at least 12 months from your receipt of written conversion instructions from us);

(v) “special distribution opportunities”, including RELAX THE BACK outlets associated with larger retail facilities such as general merchandise stores (i.e., “store in a store program”) and limited square footage outlets like an “express” unit and/or kiosk units housed within other retail facilities, such as a department store however, if any distribution opportunity involves the location of a physical unit for the distribution of products/services under the RELAX THE BACK Marks inside your Territory, we will provide you with a right of first refusal, according to the process outlined in Section 2.2 of the Franchise Agreement;

A “Traditional RELAX THE BACK Store” is defined in Section 1.2, of the Franchise Agreement. Subject to the limitations described above, we retain all rights to non-Traditional RELAX THE BACK Stores or other distribution opportunities, including any RELAX THE BACK Online Presence, virtual studio, showroom and/or RELAX THE BACK direct mail operations.

Unless noted below, we are not required to pay you if we exercise any of the rights specified above inside your Territory.

Beginning 24 months after the date of your Franchise Agreement, and every 12 months thereafter, we may compare your Adjusted Gross Sales to other franchisees in good standing with their Franchise Agreement during that time. If you fail to meet our designated financial standards and fail to achieve the results required through our Correction Process as outlined in the Franchise Agreement, we may eliminate or reduce the size of the Territory.

You may not relocate your RELAX THE BACK Store without our prior-written permission, which we will not unreasonably withhold. The Franchise Agreement does not provide you with any options, rights of first refusal or any other rights to open or acquire any other RELAX THE BACK Stores anywhere, including near your RELAX THE BACK Store.

## **Digital Orders**

Upon request from us, you will provide liaison, support, and other services to such customers placing digital orders on our branded website in exchange for compensation from us (we will receive FAB input before deciding on such compensation). The amount of any compensation will be applied as a credit against your Continuing Royalty Fee or, at our option, any other money owed or to be owed by you to us. We may establish the terms and conditions for all of these programs in our discretion, including setting minimum participation criteria (such as compliance with our policies, store floor plan, customer reviews, marketing spend, and good standing). We may change the terms and conditions or participation criteria for these programs and/or terminate, revoke, amend, or modify any of these programs at any time in our sole discretion. We will provide you with a report on at least a quarterly basis of any sales and corresponding credits due you. Any credits outstanding as of the date of any transfer, termination or expiration of your Franchise Agreement will be deemed to have expired, unless you have another Franchise Agreement with us or are granted a successor franchise. Currently, we offer a revenue sharing program with credits equal to 6% of our net digital revenue from customers within 30-miles of a franchised Store (based on customer billing address). Additionally, we currently offer a credit of \$200-\$300 per chair if a franchised Store completes white glove delivery service.

Our current policy is to allow you to accept orders from any customer located anywhere, but we can change this policy at any time. You will comply with any restrictions we specify as to the customers to whom you may offer or sell outside of the Territory. You will not directly market to customers outside of your Territory, except as authorized by us in writing. Any RELAX THE BACK product catalogue made available to you by us for direct marketing purposes must be distributed by you.

## **ITEM 13**

### **TRADEMARKS**

We grant you the non-exclusive right to operate a retail store under the Marks. The Marks may only be used at the location we approve for your store for the sale of products and services we authorize. The principal Marks are:

<b>Principal Trademarks</b>	<b>Registration No.</b>	<b>Principal/ Supplemental Register</b>	<b>Registration Date</b>
“Reclining figure” service mark (logo)	1,763,540	Principal	April 6, 1993
“RELAX THE BACK” service mark (word)	1,714,372	Principal	September 8, 1992
“RELAX THE BACK & Reclining Figure Design” service mark and trademark (word plus logo)	2,707,437	Principal	April 15, 2003
“Reclining figure” (logo)	2,906,072	Principal	November 30, 2004
“LIVEWELLNESS” service mark (word)	6,750,356	Principal	June 7, 2022

We have filed all required renewals and affidavits. We also claim common law rights in the Marks.

There are no presently effective determinations of the USPTO, U.S. Trademark Trial and Appeal Board, the trademark administrator or court of this or any State, nor is there any interference, opposition

or cancellation proceeding or material litigation pending involving the Marks, which is relevant to their use in this or any State in which the franchise business is to be located. No agreements limit our right to use or license the use of the Marks.

You must immediately notify us of any apparent or actual infringement of, or of any challenge to your use of, the Marks. You will not communicate with any third party with respect to such a claim. We will take such action as we deem appropriate but are not required to take any action. As owner of the Marks, we have the exclusive right to control any settlement, litigation or proceeding arising out of or related to any such matters. You must not directly or indirectly contest our right to our trademarks, trade secrets, or confidential information.

If it becomes advisable at any time for you to modify or discontinue the use of any of the Marks or use of one or more additional or substitute trademarks or service marks, you must comply promptly (at your sole expense) with any directions from us to discontinue, modify, substitute, or add Marks. We cannot and do not make any guaranty that a modification, discontinuance, or other action may not be required for any reason. We have no liability or obligation to you in the event of the discontinuation, modification, substitution, or the addition of Marks. You may be required to find a new, mutually acceptable, location. If no such location can be found, we will identify and license a commercially reasonable alternative brand for your Premises. In such cases, we will compensate you for the relocation or re-branding up to a maximum of \$25,000. You must provide us with a release against all claims related to these changes.

We do not know of any superior prior rights or infringing uses which could materially affect your use of the principal Marks in this state or in any state in which the franchised business is to be located.

## **ITEM 14**

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

We do not have any registered patents or copyrights. We have no pending patent applications material to the franchised business. We claim proprietary rights and common law copyrights in the Manuals, in various programs used by us, and in other elements of the System. In general, our proprietary information is defined in the Franchise Agreement to be “Confidential Information” and includes: (1) Manuals, training, techniques, processes, policies, procedures, systems, data, and know how regarding the development, marketing, operation, and franchising of RELAX THE BACK stores (2) specifications and information about products and services authorized by us and (3) all information regarding customers and suppliers, including any statistical and financial information and all lists. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We own and control the Online Presences relating to the RELAX THE BACK Store, as well as all information, lists and data about past, present, and future customers of your Relax The Back Store. We also own the rights to all telephone or other service (including yellow and white page listings, cellular and fax), numbers, directory listings and any other type of contact information used by or that identifies or is associated with your RELAX THE BACK Store and all Online Presences used in connection with your RELAX THE BACK Store business and/or associated with the Marks. Your only interest in any of this Confidential Information is the right to use it pursuant to your Franchise Agreement.

We own all Confidential Information and your only interest in the Confidential Information is the right to use it to operate your RELAX THE BACK Store pursuant to your Franchise Agreement. You must both during and after the term of your Franchise Agreement: (1) use the Confidential Information only for

the operation of your RELAX THE BACK Store; (2) maintain the absolute secrecy and confidentiality of the Confidential Information; (3) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions; (4) not make or distribute, or permit to be made or distributed, any unauthorized copies; and (5) adopt and implement commercially reasonable security measures to prevent unauthorized use or disclosure of, or access to, the Confidential Information, including by restricting its disclosure to key personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclose agreement that we approve. All ideas, techniques, methods, and processes relating to a Relax The Back Store that are conceived or developed by you and/or your employees are to be provided to us for our use, although patents and patented products may be excluded from this requirement by us if we choose.

You must comply with any practices or requirements we may implement through the Manuals or other written instruction that are intended to promote the proper use and nondisclosure of the Confidential Information by your employees, agents or other third parties, including their signing of a form of non-disclosure/confidentiality agreement approved by us.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials or other Confidential Information. There are no agreements in effect which significantly limit our right to use or license the any such information or materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights or Confidential Information or you in connection with any related claims.

## ITEM 15

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

Your RELAX THE BACK Store must be personally managed on a full-time basis by a person who has successfully completed all training required by us and who meets all of our other then-current standards. With regard to managers and other supervisors of your RELAX THE BACK store, you will be required to keep us advised of the identities of the manager and to require that each manager and other supervisors sign confidentiality, non-competition and other required agreements deemed acceptable by us. We have the right to deal with the manager on matters pertaining to day-to-day operations of, and reporting requirements for, your RELAX THE BACK Store. You hire and are solely responsible for the management and training of all employees of your RELAX THE BACK Store. You must maintain at your RELAX THE BACK store an ongoing training program meeting our standards.

If you are a corporation, entity or a partnership, each owner or partner owning a portion of the corporation or partnership must sign a personal guaranty, in the form attached as Exhibit 1.2(b) to the Franchise Agreement ("Guaranty"). Additionally, each owner's or partner's spouse must sign and consent to the Guaranty.

## ITEM 16

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

You must operate your RELAX THE BACK Store to meet our system standards and sell only the products and services we periodically designate. We must approve all products and services you sell from your RELAX THE BACK Store. We may change the designated products and services without limitation. You

must purchase, use and offer only the types, brands, and quality of products and services we designate. Our current policy is to allow you to accept orders from any customer located anywhere but we can change this policy at any time. However, you cannot directly market to customers outside of your Territory, except as authorized by us in writing. Any RELAX THE BACK product catalogue made available to you by us for direct marketing purposes will be distributed by you.

## 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.**

#### Franchise Agreement Provisions

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2.1	10 years as identified on the cover page of the Franchise Agreement.
b. Renewal or extension of the term	15.1	Your rights terminate at end of term however, you may be eligible for a successor franchise (which may differ materially from the current Franchise Agreement) for (i) one 10-year term or (ii) one 5-year term. Our form Renewal Addendum is attached hereto as Exhibit J.
c. Requirements for franchisee to renew or extend	15.2	Complied with all agreements; maintained possession of Premises; location brought into compliance with current standards; evidence of right to retain or adequately substitute Premises; notice at least 12 months prior to expiration; cure deficiencies; satisfied all monetary obligations; sign new franchise agreement/related documents meet current training requirements; execute a General Release; and pay renewal fee.  If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by franchisee	Not Applicable	Not applicable (subject to state law).
e. Termination by franchisor without cause	Not applicable	Not applicable.
f. Termination by franchisor with cause	16	We can terminate you if you commit any one of several listed violations.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined – curable defaults	16.2	<p><u>10-Day cure</u>: Failure to comply with Manuals; maintain insurance; correct dangerous conditions; report accurately Adjusted Gross Sales; submit accurate and timely reports; or pay any amounts due.</p> <p><u>30-Day cure</u>: Uncured default under any lease; fail to remain current with obligations to others for the Franchise Business; fail to comply with any other Franchise Agreement requirements, procedures or fail to maintain performance, system, or financial standards.</p>
h. "Cause" defined – non-curable defaults	16.1, 16.3 - 16.4	<p>Failure to locate, obtain, and develop acceptable site and open store; abandon or fail to operate business for more than 7 days; misrepresentations or omissions by you; bankruptcy, insolvency, assignment for the benefits of creditors; inability to pay debts; receiver or custodian appointed; conviction of, or plea of no contest to, a felony or of an offense affecting the reputation of the Business or the Marks; unauthorized transfer; unauthorized use of Confidential Information or Marks; violation of non-competition provisions; loss of possession of store Premises without approved relocation; misrepresentations of amounts owed and other matters; file legal action against us and do not receive a final judgment or award substantially in your favor on the merits (excludes settlements); failure to retain required records/reports; fail in any obligation on 2 or more separate occasions within 12 months, or on 3 separate occasions within 24 consecutive months, whether or not cured; and cross defaults under other agreements; any audit reveals an intentional understatement of Adjusted Gross Sales for any period greater than 10%; we or an affiliate terminate any other agreement with you and/or your affiliate.</p>
i. Franchisee's obligations on termination / non-renewal	17	<p>No equity on termination. Pay all amounts owed; cease use of all RELAX THE BACK name, trade dress, and marks; de-identify Premises; cancel fictitious name registrations; transfer phone numbers, directory listings, and Internet service; furnish evidence of compliance with the above; stop using and return Manuals and confidential materials; pay us lost revenue damages (subject to maximum of \$200,000 under each Franchise Agreement); comply with continuing covenants such as indemnification, confidentiality, non-compete, and dispute resolution obligations; sign a General Release.</p>
j. Assignment of contract by franchisor	14.1	<p>Fully assignable by us. On transfer, we have no continuing obligations. We can be sold; sell any assets; go public; engage in a private placement; merge, acquire or be merged/acquired with competitors or others; refinance; buyout or other transaction.</p>
k. "Transfer" by franchisee -defined	14.2	<p>Includes transfer of any interest of any kind or nature, voluntary or involuntary, by operation of law or otherwise, in the Agreement or business. Includes transfer to a trust, or to a corporation you control.</p>
l. Franchisor approval of transfer by franchisee	14.2 - 14.3	<p>Transfer of 20% or more interest in Agreement, franchise, business, or assets is subject to our consent, and transfer of interest and/or assets of business must include franchise.</p>

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
m. Conditions for franchisor approval of transfer	14.3 - 14.4, 14.6	Agreement not subject to termination; full compliance with Franchise Agreement, lease/sublease and any other agreements; we receive all information or documents we request about the proposed transfer, transferee, and its owners and managers; transferee qualifies; pay all amounts due; transferee assumes obligations to third parties; comply with then-current standards; submit all required reports and documents; transferee training requirement; transferee obtains all required permits, licenses and insurance; you remain liable for existing obligations of the franchised business; obtain any required consent of lessor; transferee signs new Agreement (which can be materially different) or is assigned the transferor's Franchise Agreement, at our option; payment of transfer fee; execution of General Release by all owners & affiliates; any amount financed subordinate to obligations of transferee to us, and we may refuse to allow financing; non-competition, indemnification, confidentiality, and dispute resolution provisions survive; you agree not to participate in any similar business for a period of 3 years; comply with laws and regulations; we can withhold approval based on circumstances we think warrant it. Additional conditions for transfer to a wholly-owned corporation. Transfer does not release you from obligations to us or claims by us, unless we expressly agree in writing.
n. Franchisor's right of first refusal to acquire franchisee's business	14.7	Subject to time limits, evidence of an offer, and deposit of a refundable transfer fee, we can: require you to accept our matching offer; exclude interests outside franchise; exclude value of non-complying assets or require compliance; require cure of defaults; substitute cash or marketable securities for any proposed payment; require customary representations, warranties and agreements on sale; require you to sign a General Release.
o. Franchisor's option to purchase franchisee's business	17.6	On or within 120 days of termination or expiration of the Agreement, we can purchase your business, at fair market value, less amounts owed. You sign a General Release and indemnify us.
p. Death or disability of franchisee	14.5	Interest must be transferred to an approved third party within 6 months, subject to transfer conditions. We may choose to manage the store during that period, charge a management fee, and be indemnified for costs and liabilities incurred.
q. Non-competition covenants during the term of the franchise	8.2	No involvement in, or service to, any Similar Business anywhere; special, additional remedies for breach (subject to state law).  A "Similar Business" means any enterprise (including not-for-profit operations) that offers or is otherwise involved or deals with any goods and/or services which are now or in the future authorized by us to be offered at or from RELAX THE BACK Stores, and including any business awarding franchises or licenses to others to operate or be involved with any such business.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
r. Non-competition covenants after the franchise is terminated or expires	8.2, 17.3 - 17.4	For 3 years: No business with, or soliciting of RTB or franchisee customers; and no Similar Business within a RTB Marketing Area (subject to state law). There are special, additional remedies for breach. If non-competition restrictions are unenforceable or reduced, we may require you to pay a fee based on formula.
s. Modification of the agreement	19.9	Modifications must be in writing and signed by all parties. The Manual is subject to change by us and you must promptly comply.
t. Integration / merger clause	19.9, 19.10, 19.16	Only terms of the Franchise Agreement, exhibits, riders and Manuals are binding (subject to state law). Any representations or promises made outside the Franchise Agreement and this Disclosure Document may not be enforceable.
u. Dispute resolution by arbitration or mediation	19	Except for certain claims, all disputes resolved through mediation-arbitration at our then-current headquarters; no class actions; waiver of jury trial; waiver of punitive and other named damages; limitation of damages; notice of claims requirement; limits on periods in which to bring claims; and pay own attorney fees, except in limited instances. This provision is subject to state law.
v. Choice of forum	19.1 and 19.2	Litigation in court encompassing our or our successor's or assign's then-current headquarters is located (currently, California), except in limited instances; Federal Arbitration Act pre-empts state law. This provision is subject to state law.
w. Choice of law	19.14	Laws of the state of Delaware, but Federal Arbitration Act preempts. This provision is subject to state law.

## **ITEM 18**

### **PUBLIC FIGURES**

We do not currently use any public figures to promote our franchise but may do so in the future.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised outlets and/or franchisor-owned outlets, if there is a reasonable basis for the information and if the information is included in this 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.

#### **Methodology and Background**

The following Item 19 provides information for the 76 franchised Traditional RELAX THE BACK Stores that were open for our entire fiscal year ended December 31, 2023 (the "Item 19 Stores"), which excludes 1 franchised Relax The Back Store that did not constitute a Traditional Relax The Back Store

(operating as a store-in-store franchise). In some cases, additional Relax The Back Stores were excluded from the tables below. Please see each specific table for a description of further exclusions.

As used in this Item 19, “Adjusted Gross Sales” includes all revenue (except sales tax collected and paid when due to the appropriate taxing authority, delivery fees charged, and actual customer refunds, adjustments and credits) which are, or could be, received or earned by you (and/or any affiliate and/or on/for your behalf or benefit) (1) by, at or with respect to a RELAX THE BACK Store; (2) which relate to the type of goods or services which are or could be provided, sold, rented or otherwise distributed at, through or in association with a RELAX THE BACK Store; (3) with respect to any goods or services which are, or could be, distributed in association with the Marks or the RELAX THE BACK System, or the operation of any Similar Business (but our receipt of any royalties with respect to any Similar Business will not constitute approval of your involvement with any Similar Business); and/or (4) with respect to any co-branding activities. All sales and billings, whether collected or not, will be included in Adjusted Gross Sales, with no deduction for credit card or other charges. Adjusted Gross Sales does not reflect the costs of operating the business, including operating expenses, start-up expenses and the fees paid to us and our affiliates, which must be deducted from the gross revenue or gross sales figures to obtain net income or profit.

All information presented in this Item 19 for franchised RELAX THE BACK Stores is based on the financial reports we receive from franchisees.

**2023 Annual Adjusted Gross Sales (By Quartile)  
For Franchised Item 19 Stores**

The following table provides annual Adjusted Gross Sales for all 76 franchised Item 19 Stores. These Item 19 Stores were divided into 4 quartiles based on each Item 19 Store’s annual Adjusted Gross Sales in the calendar year ended December 31, 2023. Quartile 1 represents those Item 19 Stores with the highest annual Adjusted Gross Sales in the calendar year ended December 31, 2023, and the other Quartiles are in descending order with Quartile 4 representing those Item 19 Stores with the lowest annual Adjusted Gross Sales in the calendar year ended December 31, 2023.

	<b>Units In Quartile</b>	<b>Average</b>	<b>Low and High</b>	<b>Median</b>	<b># Above Average</b>
Quartile 1	19	\$1,428,636	\$1,113,379 - \$2,572,316	\$1,293,513	6 (31.6%)
Quartile 2	19	\$931,137	\$833,978 - \$1,096,724	\$931,320	10 (52.6%)
Quartile 3	19	\$729,011	\$651,271 - \$827,558	\$707,936	7 (36.8%)
Quartile 4	19	\$555,647	\$428,082 - \$636,600	\$547,402	9 (47.4%)
<b>All Stores</b>	<b>76</b>	<b>\$911,108</b>	<b>\$428,082 - \$2,572,316</b>	<b>\$830,768</b>	<b>29 (38.2%)</b>

*[Item 19 continues on following page]*

**2023 Adjusted Gross Sales By Month  
For All Item 19 Stores**

The following table provides the Adjusted Gross Sales by calendar month for each of the Item 19 Stores during the calendar year ended December 31, 2023.

	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
1	\$198,622.97	\$223,875.52	\$292,037.97	\$149,181.29	\$199,679.09	\$299,713.89	\$247,348.47	\$177,901.00	\$206,885.48	\$194,124.54	\$216,235.53	\$166,710.33
2	\$180,827.93	\$242,758.60	\$244,444.40	\$147,995.32	\$180,338.17	\$161,732.87	\$235,437.16	\$102,417.09	\$197,379.34	\$252,754.49	\$235,505.56	\$245,454.91
3	\$174,022.72	\$180,224.40	\$145,686.67	\$68,338.43	\$90,351.95	\$156,106.85	\$76,700.03	\$178,600.85	\$90,430.41	\$182,807.77	\$87,993.60	\$174,705.89
4	\$67,649.57	\$120,400.65	\$173,234.48	\$103,233.58	\$122,856.24	\$149,008.36	\$160,927.28	\$141,114.15	\$113,877.15	\$130,389.75	\$110,692.24	\$151,385.19
5	\$179,283.99	\$164,551.14	\$91,702.18	\$108,995.91	\$90,941.17	\$96,702.26	\$129,567.11	\$109,274.95	\$130,842.11	\$114,115.61	\$131,390.72	\$186,751.74
6	\$151,946.88	\$145,577.53	\$112,620.73	\$137,769.72	\$125,440.59	\$96,783.68	\$120,799.17	\$63,758.56	\$153,101.40	\$111,004.44	\$118,298.56	\$107,197.67
7	\$117,424.43	\$159,558.09	\$101,871.95	\$143,173.03	\$134,904.67	\$131,325.90	\$69,616.28	\$83,250.38	\$174,539.18	\$100,011.08	\$89,318.20	\$109,065.07
8	\$82,114.25	\$155,746.76	\$205,792.47	\$136,661.61	\$98,583.79	\$108,974.13	\$94,132.22	\$75,185.62	\$117,541.39	\$89,412.59	\$85,017.07	\$128,738.84
9	\$125,706.18	\$114,803.77	\$119,306.48	\$71,760.98	\$123,595.55	\$128,383.90	\$137,464.44	\$89,950.59	\$111,441.40	\$77,753.88	\$123,479.45	\$123,172.32
10	\$85,788.59	\$119,040.81	\$112,855.23	\$114,325.18	\$119,903.85	\$110,959.66	\$105,728.82	\$97,905.11	\$98,754.40	\$97,485.90	\$105,107.46	\$125,658.08
11	\$119,108.77	\$83,331.86	\$123,290.25	\$83,380.00	\$76,869.26	\$151,517.75	\$77,107.81	\$148,919.77	\$102,129.58	\$76,844.29	\$97,916.23	\$97,135.22
12	\$142,914.81	\$95,995.25	\$68,669.63	\$70,115.80	\$91,955.64	\$95,313.31	\$104,300.03	\$103,853.44	\$110,591.46	\$81,638.61	\$149,238.22	\$121,348.99
13	\$134,657.41	\$125,473.00	\$77,241.91	\$53,533.36	\$93,391.37	\$128,663.49	\$131,813.02	\$64,910.65	\$126,188.39	\$81,877.36	\$57,328.83	\$116,472.11
14	\$199,202.82	\$86,809.52	\$77,184.26	\$83,243.27	\$80,476.29	\$91,598.08	\$82,638.80	\$89,430.56	\$59,547.64	\$136,575.60	\$128,479.68	\$68,395.76
15	\$65,020.46	\$88,136.50	\$100,126.26	\$64,706.00	\$114,327.24	\$133,156.03	\$86,131.51	\$107,677.93	\$91,648.31	\$87,694.94	\$100,042.66	\$128,675.69
16	\$133,594.40	\$104,240.16	\$95,670.24	\$92,426.11	\$63,955.05	\$86,005.24	\$109,171.77	\$121,659.12	\$100,185.60	\$84,719.39	\$40,477.56	\$128,012.22
17	\$120,919.98	\$93,675.82	\$101,701.34	\$89,199.95	\$72,688.68	\$96,923.94	\$122,071.33	\$77,567.80	\$93,453.25	\$94,268.69	\$70,442.07	\$114,358.99
18	\$74,140.39	\$55,148.01	\$54,701.92	\$60,207.80	\$110,508.99	\$89,222.64	\$97,531.39	\$84,355.98	\$133,964.03	\$111,150.54	\$122,721.26	\$152,884.44
19	\$102,929.81	\$87,806.25	\$117,672.09	\$87,749.28	\$91,925.81	\$97,173.10	\$73,678.44	\$59,988.14	\$104,802.18	\$99,410.28	\$89,938.99	\$100,304.98
20	\$71,373.53	\$108,007.72	\$103,499.73	\$84,493.79	\$77,479.34	\$137,370.45	\$76,378.27	\$82,685.84	\$82,922.79	\$71,110.90	\$87,539.75	\$113,862.27
21	\$56,939.52	\$85,003.08	\$69,182.50	\$39,952.54	\$135,581.79	\$103,775.84	\$84,790.37	\$57,223.20	\$77,870.35	\$113,323.85	\$100,779.75	\$127,916.26
22	\$86,627.14	\$117,185.67	\$131,937.04	\$92,976.10	\$124,242.60	\$69,604.56	\$82,530.86	\$36,651.50	\$98,611.74	\$58,430.15	\$65,430.67	\$81,455.21
23	\$79,290.16	\$64,370.54	\$100,236.23	\$68,117.32	\$44,410.88	\$98,909.88	\$86,029.41	\$120,259.73	\$115,244.19	\$118,979.00	\$55,514.20	\$86,876.18
24	\$94,295.57	\$55,413.78	\$128,719.39	\$22,997.37	\$122,258.50	\$94,320.18	\$66,286.59	\$82,117.88	\$82,740.89	\$58,241.19	\$121,861.58	\$92,126.31
25	\$115,888.12	\$82,847.89	\$86,612.00	\$82,566.81	\$80,222.14	\$112,934.16	\$78,598.30	\$81,299.20	\$63,294.99	\$65,104.23	\$58,778.11	\$90,536.55
26	\$128,269.96	\$84,988.42	\$21,351.86	\$58,336.03	\$30,482.04	\$80,335.87	\$123,215.36	\$62,558.02	\$112,665.10	\$59,816.27	\$93,828.06	\$106,341.39

27	\$52,241.42	\$120,681.47	\$51,265.71	\$71,763.28	\$54,834.88	\$105,464.31	\$92,823.25	\$68,171.32	\$103,987.55	\$78,768.19	\$90,198.27	\$54,657.24
28	\$73,927.81	\$81,535.36	\$151,042.66	\$68,068.96	\$53,884.19	\$44,546.38	\$64,257.05	\$111,513.33	\$50,019.09	\$92,627.33	\$95,685.63	\$49,721.71
29	\$89,395.16	\$100,250.87	\$39,940.42	\$67,718.62	\$70,585.71	\$84,587.22	\$97,993.13	\$59,143.09	\$98,751.33	\$63,621.08	\$69,011.34	\$90,321.97
30	\$62,081.29	\$104,106.82	\$111,260.18	\$53,829.50	\$64,083.51	\$70,515.98	\$56,253.78	\$70,619.35	\$55,395.22	\$67,031.74	\$63,249.12	\$85,961.29
31	\$56,383.73	\$41,700.37	\$78,735.48	\$66,190.05	\$61,699.77	\$104,874.76	\$62,141.79	\$100,899.81	\$56,459.55	\$81,658.76	\$82,987.84	\$68,844.41
32	\$74,387.18	\$134,055.05	\$102,099.67	\$51,295.25	\$44,370.15	\$91,172.67	\$51,426.87	\$52,507.88	\$34,752.16	\$59,980.26	\$57,509.53	\$107,877.20
33	\$89,491.70	\$34,921.15	\$77,142.18	\$109,585.72	\$82,536.11	\$24,707.13	\$76,877.26	\$80,039.85	\$103,325.90	\$25,520.67	\$53,980.13	\$96,889.81
34	\$68,801.30	\$57,882.99	\$68,104.77	\$70,794.73	\$60,924.79	\$76,980.88	\$93,740.58	\$60,340.07	\$79,862.46	\$59,039.07	\$57,323.64	\$97,813.01
35	\$124,089.55	\$55,832.56	\$51,297.55	\$71,322.90	\$43,345.67	\$63,916.49	\$121,240.57	\$64,241.39	\$77,138.27	\$64,047.79	\$39,286.01	\$69,518.77
36	\$87,548.46	\$51,177.62	\$58,778.06	\$46,080.82	\$77,487.67	\$106,576.09	\$43,658.15	\$108,060.88	\$60,180.58	\$52,027.73	\$50,549.99	\$102,929.04
37	\$78,475.42	\$76,195.58	\$108,055.81	\$60,029.76	\$82,072.40	\$61,098.49	\$56,240.79	\$70,207.02	\$66,743.42	\$48,150.14	\$68,907.54	\$67,853.95
38	\$55,050.01	\$82,926.76	\$44,980.23	\$61,428.92	\$60,362.92	\$105,025.61	\$42,745.30	\$55,232.63	\$78,104.43	\$82,484.81	\$58,698.47	\$106,938.39
39	\$124,506.24	\$99,282.66	\$47,709.25	\$39,694.76	\$68,827.27	\$54,543.27	\$74,621.41	\$59,506.25	\$62,878.30	\$60,011.42	\$73,869.76	\$62,107.46
40	\$95,876.95	\$52,095.96	\$143,396.05	\$73,267.10	\$52,023.00	\$16,378.11	\$38,044.23	\$96,086.99	\$64,580.01	\$68,157.97	\$39,324.83	\$75,904.04
41	\$89,020.31	\$37,017.26	\$80,070.79	\$61,988.37	\$62,082.14	\$34,775.04	\$81,635.43	\$70,628.36	\$88,486.21	\$57,295.77	\$43,065.15	\$88,950.51
42	\$72,484.44	\$82,620.69	\$35,296.81	\$29,273.44	\$60,931.50	\$63,805.04	\$81,937.21	\$64,317.42	\$57,173.48	\$30,341.04	\$82,923.21	\$125,905.73
43	\$67,348.48	\$72,475.89	\$111,644.73	\$69,912.98	\$60,220.42	\$77,263.21	\$46,827.16	\$45,065.65	\$40,936.13	\$33,722.49	\$55,368.77	\$105,711.26
44	\$53,829.15	\$63,747.41	\$108,215.84	\$33,149.23	\$77,065.65	\$31,784.71	\$66,491.62	\$67,524.20	\$65,016.92	\$13,747.52	\$84,409.94	\$116,622.66
45	\$43,777.50	\$33,799.53	\$65,858.84	\$42,601.62	\$47,870.99	\$61,901.26	\$106,512.39	\$77,653.44	\$67,208.90	\$56,579.79	\$44,252.36	\$117,874.92
46	\$90,610.78	\$93,893.20	\$37,685.77	\$36,738.45	\$65,249.75	\$62,221.21	\$37,451.07	\$84,331.48	\$27,817.44	\$44,334.64	\$39,588.18	\$94,625.55
47	\$66,420.67	\$42,344.73	\$51,753.68	\$61,607.45	\$60,743.29	\$73,216.78	\$44,033.81	\$103,603.42	\$58,290.90	\$25,646.09	\$66,438.47	\$58,266.00
48	\$75,782.52	\$56,759.33	\$72,804.56	\$28,555.94	\$81,201.31	\$66,818.99	\$57,445.33	\$50,648.71	\$56,380.74	\$49,472.85	\$42,257.18	\$69,808.26
49	\$52,790.03	\$46,461.04	\$95,235.20	\$79,298.21	\$56,464.65	\$34,668.99	\$36,949.28	\$91,406.16	\$35,926.80	\$73,172.00	\$35,902.00	\$64,657.67
50	\$50,438.39	\$91,020.35	\$88,008.09	\$21,700.76	\$55,143.98	\$86,376.31	\$79,563.96	\$48,328.51	\$49,252.75	\$16,627.08	\$84,113.25	\$24,399.53
51	\$58,180.53	\$62,182.17	\$35,872.77	\$37,246.39	\$70,509.55	\$75,901.19	\$69,706.28	\$117,632.34	\$52,876.72	\$32,616.09	\$27,197.93	\$54,338.12
52	\$83,880.82	\$42,292.71	\$65,639.75	\$58,447.43	\$44,753.49	\$79,409.42	\$59,835.96	\$29,070.52	\$70,421.97	\$48,960.40	\$32,995.10	\$75,511.14
53	\$63,500.96	\$56,075.43	\$48,081.59	\$41,891.18	\$78,054.79	\$56,181.58	\$66,626.53	\$47,932.46	\$50,653.84	\$59,237.14	\$77,748.20	\$43,864.67
54	\$42,661.13	\$57,004.59	\$46,896.83	\$53,106.76	\$31,316.92	\$63,300.25	\$75,659.77	\$36,711.71	\$60,854.83	\$52,693.42	\$52,011.80	\$112,218.79
55	\$91,152.80	\$27,802.02	\$33,681.01	\$52,914.33	\$35,861.18	\$65,109.20	\$84,638.58	\$50,556.57	\$60,684.13	\$50,602.27	\$52,838.86	\$68,807.50
56	\$77,632.19	\$86,897.75	\$79,342.06	\$64,163.82	\$18,816.65	\$65,497.79	\$58,506.34	\$29,239.36	\$64,046.60	\$51,420.36	\$28,794.17	\$49,708.18
57	\$50,094.48	\$51,373.13	\$83,683.57	\$33,901.94	\$54,657.77	\$82,866.83	\$31,087.09	\$37,411.43	\$69,708.75	\$40,505.06	\$67,970.86	\$48,009.82
58	\$66,789.99	\$34,219.91	\$44,420.11	\$69,031.08	\$64,036.33	\$60,236.40	\$45,138.74	\$26,780.10	\$70,685.53	\$43,389.25	\$62,905.55	\$48,966.81

59	\$32,371.02	\$59,907.99	\$62,739.02	\$39,466.02	\$39,746.84	\$65,118.11	\$50,660.76	\$37,219.67	\$52,439.09	\$63,488.83	\$60,090.72	\$72,937.76
60	\$7,962.17	\$90,437.37	\$43,550.95	\$13,523.47	\$99,105.60	\$22,290.92	\$48,151.72	\$1,909.11	\$88,894.70	\$64,171.57	\$64,118.96	\$88,989.27
61	\$80,300.41	\$42,375.92	\$39,338.88	\$36,818.22	\$29,869.98	\$85,023.29	\$44,146.37	\$60,704.01	\$28,925.93	\$37,711.39	\$53,029.32	\$93,653.16
62	\$84,036.01	\$41,820.65	\$46,145.35	\$24,951.58	\$68,465.26	\$47,323.91	\$53,936.31	\$52,566.98	\$48,162.05	\$33,614.02	\$51,816.77	\$64,273.85
63	\$72,442.40	\$25,078.28	\$53,360.71	\$73,216.32	\$53,973.87	\$41,629.93	\$60,649.35	\$42,823.20	\$38,651.59	\$24,514.46	\$23,998.28	\$97,572.76
64	\$36,213.07	\$54,736.37	\$85,549.28	\$59,784.17	\$33,722.24	\$66,875.28	\$28,127.51	\$55,963.44	\$59,155.07	\$23,826.14	\$29,846.37	\$50,224.06
65	\$58,939.62	\$43,870.48	\$40,186.70	\$45,887.16	\$57,562.43	\$65,208.38	\$62,712.08	\$34,191.47	\$23,165.20	\$26,686.90	\$42,247.08	\$69,706.81
66	\$48,809.38	\$53,694.02	\$45,001.46	\$30,345.83	\$72,059.04	\$53,856.90	\$20,335.24	\$44,637.84	\$39,498.23	\$51,924.71	\$67,256.81	\$32,652.60
67	\$34,552.32	\$30,330.07	\$38,625.26	\$47,593.59	\$85,125.36	\$40,724.62	\$51,922.17	\$32,081.06	\$50,031.41	\$35,135.10	\$26,787.43	\$74,493.55
68	\$52,802.51	\$78,167.10	\$64,026.97	\$43,089.14	\$32,461.64	\$33,397.21	\$38,133.40	\$24,065.50	\$59,384.62	\$46,654.63	\$51,502.73	\$20,786.95
69	\$57,222.92	\$49,851.05	\$24,867.65	\$12,401.88	\$49,590.24	\$87,587.07	\$53,336.65	\$50,272.75	\$3,071.33	\$66,263.89	\$78,696.53	\$10,758.94
70	\$53,376.27	\$36,411.08	\$71,979.05	\$54,007.76	\$28,874.24	\$39,633.14	\$51,791.63	\$33,957.20	\$36,994.48	\$49,840.78	\$43,549.66	\$41,086.98
71	\$14,990.51	\$52,985.22	\$35,036.01	\$30,919.34	\$52,296.93	\$46,148.49	\$57,805.60	\$49,719.38	\$60,419.35	\$35,974.92	\$53,905.53	\$45,303.82
72	\$39,585.08	\$30,062.09	\$49,447.87	\$26,777.00	\$65,267.83	\$18,542.08	\$14,015.55	\$97,403.27	\$31,449.82	\$48,123.64	\$40,365.79	\$43,506.27
73	\$35,715.63	\$55,038.69	\$23,358.19	\$19,469.89	\$42,346.18	\$32,754.74	\$42,482.41	\$39,124.15	\$29,723.29	\$30,720.10	\$69,597.98	\$74,710.96
74	\$35,262.51	\$31,385.42	\$27,453.15	\$41,841.41	\$51,935.04	\$59,500.81	\$25,272.04	\$42,433.68	\$45,194.07	\$35,091.86	\$29,154.44	\$55,632.18
75	\$37,150.07	\$41,005.45	\$31,828.42	\$31,494.96	\$41,319.85	\$38,394.57	\$47,129.93	\$39,384.82	\$41,037.96	\$27,169.99	\$33,802.50	\$49,671.92
76	\$33,922.43	\$29,892.22	\$72,575.46	\$19,807.25	\$35,461.68	\$51,113.95	\$18,310.18	\$21,348.95	\$51,755.80	\$15,158.89	\$20,354.56	\$58,380.29

<b>Avg.</b>	<b>\$82,011.40</b>	<b>\$79,245.43</b>	<b>\$81,979.21</b>	<b>\$62,545.15</b>	<b>\$72,875.96</b>	<b>\$80,965.28</b>	<b>\$75,408.21</b>	<b>\$70,996.52</b>	<b>\$76,015.89</b>	<b>\$67,744.83</b>	<b>\$71,905.80</b>	<b>\$89,414.08</b>
<b># Above Avg.</b>	<b>31 (40.8%)</b>	<b>35 (46.1%)</b>	<b>31 (40.8%)</b>	<b>34 (44.7%)</b>	<b>30 (39.5%)</b>	<b>34 (44.7%)</b>	<b>34 (44.7%)</b>	<b>31 (40.8%)</b>	<b>32 (42.1%)</b>	<b>28 (36.8%)</b>	<b>29 (38.2%)</b>	<b>37 (48.7%)</b>
<b>Median</b>	<b>\$74,034.10</b>	<b>\$68,423.22</b>	<b>\$72,690.01</b>	<b>\$60,118.78</b>	<b>\$64,666.63</b>	<b>\$76,441.04</b>	<b>\$68,121.41</b>	<b>\$64,279.41</b>	<b>\$64,798.47</b>	<b>\$59,526.71</b>	<b>\$63,684.04</b>	<b>\$88,969.89</b>
<b>High</b>	<b>\$199,202.82</b>	<b>\$242,758.60</b>	<b>\$292,037.97</b>	<b>\$149,181.29</b>	<b>\$199,679.09</b>	<b>\$299,713.89</b>	<b>\$247,348.47</b>	<b>\$178,600.85</b>	<b>\$206,885.48</b>	<b>\$252,754.49</b>	<b>\$235,505.56</b>	<b>\$245,454.91</b>
<b>Low</b>	<b>\$7,962.17</b>	<b>\$25,078.28</b>	<b>\$21,351.86</b>	<b>\$12,401.88</b>	<b>\$18,816.65</b>	<b>\$16,378.11</b>	<b>\$14,015.55</b>	<b>\$1,909.11</b>	<b>\$3,071.33</b>	<b>\$13,747.52</b>	<b>\$20,354.56</b>	<b>\$10,758.94</b>

**2023 Annual Average Costs  
For Franchised Item 19 Stores**

The following table provides certain cost data for 54 franchised Item 19 Stores, which in addition to the exclusions noted in the methodology section above, excludes: (1) 19 franchised Item 19 Stores that failed to deliver their annual financial reports, and (2) 3 franchised Item 19 Stores that changed ownership during 2023 and therefore were not able to deliver a consistently-prepared accounting record. The chart below reflects certain key cost components: Costs of Goods, Personnel Costs, Marketing Costs and Facility Costs, each as described further below, for each of these 54 Item 19 Stores in the calendar year ended December 31, 2023.

	<b>Dollars</b>	<b>Percent <sup>(5)</sup></b>	<b>Median</b>	<b>Range</b>	<b>Number/Percentage that Met or Exceeded Average</b>
<b>Adjusted Gross Sales</b>	\$950,548	100.0%	\$842,678	\$408,308 - \$2,650,725	20/37%
<b>Gross Profit<sup>(1)</sup></b>	\$503,829	53.0%	\$436,986	\$222,660 - \$1,429,448	18/33%
<b>Personnel Costs<sup>(2)</sup></b>	\$144,970	15.3%	\$119,724	\$3,680 - \$630,538	19/35%
<b>Marketing Costs<sup>(3)</sup></b>	\$55,546	5.8%	\$44,246	\$0,000 - \$215,224	18/33%
<b>Facility Cost<sup>(4)</sup></b>	\$121,099	12.7%	\$123,227	\$0,000 - \$271,053	28/52%

1. Gross profit is calculated as Adjusted Gross Sales less cost of goods sold. Cost of goods includes product costs, freight, and delivery.
2. Personnel costs include all wages, employment taxes and benefits reflected on the applicable franchisee's financial statements. The column identifying the number/percentage that met or exceeded the average is the number of franchisees who had lower personnel costs than the shown average.
3. Marketing costs include expenditures for local advertising, marketing, and promotions. It does not include contributions to the Marketing Fund. The column identifying the number/percentage that met or exceeded the average is the number of franchisees who had lower marketing costs than the shown average.
4. Facility cost includes rent, CAM, utilities, repair, and maintenance. The column identifying the number/percentage that met or exceeded the average is the number of franchisees who had lower facility costs than the shown average.
5. This percentage is calculated by dividing the Gross Profit, Personnel Costs, Marketing Costs or Facility Costs, as applicable, by the total average Adjusted Gross Sales.

**2023 Annual Average Owner's Discretionary Cash Flow  
For Franchised Item 19 Stores**

The following table provides certain cost data for 54 franchised Item 19 Stores, which in addition to the exclusions noted in the methodology section above, excludes: (1) 19 franchised Item 19 Stores that failed to deliver their annual financial reports, and (2) 3 franchised Item 19 Stores that changed ownership during 2023 and therefore were not able to deliver a consistently-prepared accounting record. The chart below describes the average Total Revenue, Net Income, and Owner's Discretionary Cash Flow Income for remaining 54 Item 19 Stores, for the calendar year ended December 31, 2023.

	<b>Total Revenue</b> <sup>(1)</sup>	<b>Net Income</b> <sup>(2)</sup>	<b>Owner's Discretionary Cash Flow</b> <sup>(3)</sup>
<b>Average</b>	\$950,547	\$41,934	\$104,270
<b># Above Avg.</b>	20 (37%)	22 (41%)	22 (41%)
<b>Median</b>	\$842,677	\$24,337	\$77,612
<b>High</b>	\$2,650,724	\$415,633	\$430,633
<b>Low</b>	\$408,308	-\$149,130	\$124,779

1. "Total Revenue" is calculated as the total gross revenue from the Store's operations. This is not the same calculation as Adjusted Gross Sales described above and used to calculate the Continuing Royalty Fee and other fees based on Adjusted Gross Sales. As described further above, Adjusted Gross Sales subtracts certain categories of revenue such as customer refunds, adjustments, and credits, which are not excluded from Total Revenue.
2. "Net Income" is calculated as Total Revenue, less the total cost of operations of the Store, including leases expenses, payroll, cost of goods sold, interests, amortization, taxes, the Continuing Royalty Fee, and all other associated costs and deductions reflected on the applicable franchisee's financial statements.
3. "Owner's Discretionary Cash Flow" is calculated as Net Income, plus the compensation paid by the owner of such Store to himself/herself and his/her direct family members, including retirement contributions, insurance, auto expenses, cell phone expenses, and any other one-time non-recurring expenses. These expenses were deducted from the calculation of Net Income but added back in the calculation above of Owner's Discretionary Cash Flow.

**General Notes:**

The numbers provided in this Item 19 are historic numbers for certain RELAX THE BACK Stores. Written substantiation of the financial performance representations will be available to prospective franchisees upon reasonable request.

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

Except as disclosed in this Item 19, we do 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 receive any other financial performance information or projections of your future income, you should report it to our management by contacting Bill McClymonds, Relax The Back Corporation, 4600 E. Conant, Long Beach, California; (800) 290-2225, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

The numbers in the charts below reflect information as fiscal year end December 31, 2021, December 31, 2022, and December 21, 2023.

**Table No. 1  
Systemwide Outlet Summary  
For Years 2021 to 2023**

<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>
Franchised Outlets	2021	82	81	-1
	2022	81	79	-2
	2023	79	77 <sup>1</sup>	-2
Company-Owned	2021	1	2	+1
	2022	2	2	0
	2023	2	2	0
<b>Total Outlets</b>	<b>2021</b>	<b>83</b>	<b>83</b>	<b>0</b>
	<b>2022</b>	<b>83</b>	<b>81</b>	<b>-2</b>
	<b>2023</b>	<b>81</b>	<b>79</b>	<b>-2</b>

<sup>1</sup> Since the end of our prior fiscal year, 8 RELAX THE BACK Stores were terminated, not renewed, or otherwise ceased operations, which includes the following: 1 in California, 1 in Illinois, 1 in Georgia, 2 in Florida, and 3 in Texas.

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners  
(Other than the Franchisor)  
For Years 2021 to 2023**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Arizona	2021	3
	2022	2
	2023	0
Georgia	2021	0
	2022	0
	2023	1
Nevada	2021	0
	2022	0
	2023	1
North Carolina	2021	0
	2022	0
	2023	1
Oregon	2021	2
	2022	0
	2023	0
Tennessee	2021	0
	2022	1
	2023	0

State	Year	Number of Transfers
Texas	2021	2
	2022	0
	2023	0
Utah	2021	0
	2022	0
	2023	1
<b>Total</b>	<b>2021</b>	<b>7</b>
	<b>2022</b>	<b>3</b>
	<b>2023</b>	<b>4</b>

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Arizona	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
California	2021	16	0	0	0	0	1	15
	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
Colorado	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Connecticut	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
Delaware	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Florida	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Georgia	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Illinois	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Missouri	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Nebraska	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
	2023	0	0	0	0	0	0	0
Nevada	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
New Jersey	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
North Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	0	1	0	0	1
	2023	1	0	0	0	0	0	1
Oklahoma	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Ohio	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oregon	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	1	2
Pennsylvania	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
South Carolina	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Tennessee	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	15	0	0	0	0	0	15
	2022	15	1	0	1	0	0	15
	2023	15	0	0	0	0	0	15
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Washington	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>82</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>81</b>
	<b>2022</b>	<b>81</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>79</b>
	<b>2023</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>77<sup>1</sup></b>

<sup>1</sup> Since the end of our prior fiscal year, 8 RELAX THE BACK Stores were terminated, not renewed, or otherwise ceased operations, which includes the following: 1 in California, 1 in Illinois, 1 in Georgia, 2 in Florida, and 3 in Texas.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2021 to 2023<sup>1</sup>**

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Massachusetts	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
North Carolina	2021	0	0	1	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2022</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2023</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

**Table No. 5**  
**Projected Openings as of December 31, 2023**

State	Franchised Agreements Signed But Not Opened	Projected New Franchised Outlets in the Current Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
New York	1	1	0
Maryland	0	0	1
Virginia	0	0	1
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>

Exhibit C lists the names of all of our operating franchisees and the addresses and telephone numbers of their Stores/principal place of business as of December 31, 2023. Exhibit D lists the names, city and state, and business telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise has voluntarily or involuntarily ceased doing business under a Franchise Agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this Disclosure Document.

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

One trademark-specific franchisee organization has asked to be included in our Disclosure Document during this fiscal year. The contact information for that franchisee organization is as follows:

RTBS Franchisee Association  
 Attn: Todd Lowery  
 1795 N Hwy 17, Ste #5  
 Mt. Pleasant, SC. 29464  
 Phone: (843) 881-1866  
 Email: relaxtheback1@bellsouth.net

## ITEM 21

### FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit B are the following financial statements of Relax The Back Corporation): (i) the audited balance sheet as of December 31, 2022 and December 31, 2023, and (ii) the audited statement of income, shareholders' equity and cash flow for the fiscal years ending December 31, 2021, December 31, 2022, and December 31, 2023.

**ITEM 22**

**CONTRACTS**

Attached to this Disclosure Document are:

Exhibit A	Franchise Agreement and Exhibits
Exhibit G	State Addenda to FDD and Franchise Agreement
Exhibit H	Representations Statement
Exhibit I	Sample General Release
Exhibit J	Renewal Addendum

**ITEM 23**

**RECEIPTS**

Exhibit K contains detachable documents acknowledging your receipt of this Disclosure Document.

EXHIBIT A TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT AND EXHIBITS

RELAX THE BACK CORPORATION  
FRANCHISE AGREEMENT

---

Franchisee

---

Location

---

Date of Agreement

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Franchise Agreement Number: \_\_\_\_\_

Location: \_\_\_\_\_, \_\_\_\_\_

**Relax The Back Corporation  
Franchise Agreement**

Effective Date of this Agreement: \_\_\_\_\_

Franchisor: Relax The Back Corporation, a Delaware corporation

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

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

**1. INTRODUCTION, DEFINITIONS, COMPANY PHILOSOPHY AND PRELIMINARY AGREEMENTS.**

**1.1 Introduction.** We have developed methods of operating retail “brick and mortar” stores which offer a wide variety of back related and other wellness products and services as authorized by us, from time-to-time, to be offered through Relax The Back® Stores (“Relax The Back Stores”).

Your Relax The Back franchise is a licensing arrangement, awarded for a specific, limited period of time, and your rights to use the Relax The Back brand, the Marks and the System are subject to your remaining in full and constant compliance with this Agreement. Since we, and not you, own the Relax The Back brand, the Marks and the System, you must use each of them only as permitted by us.

We selectively award franchises for qualified persons only to own and operate Traditional Relax The Back Stores using the Relax The Back System and the Marks. You have applied for a franchise to own and operate a Traditional Relax The Back Store and your application has been approved by us in reliance on the information you gave us in connection with your application.

You agree that your consistent and uniform presentation of the Relax The Back brand, and compliance with this Agreement and the System, will be critical to our and your possible success and that of each Relax The Back Franchisee, and to achieving a leading position for the Relax The Back brand, positive top-of-mind awareness among consumers, superior market penetration and a competitive edge for all Relax The Back Franchisees, as well as positively distinguishing each Relax The Back outlet from the competition. These are basic business realities, since non-compliance with brand standards would adversely affect all Relax The Back operators and place them in a disadvantageous position with respect to competitors, as well as hurting our image with the public. You also understand, and anticipate, that the System will be changed by us to meet competitive challenges, take advantage of commercial opportunities and for other reasons, in our Business Judgment; provided, however, that the terms of this Franchise Agreement can only be amended as provided in Section 19.8, below. Therefore, you agree to comply with each of your obligations under this Agreement, and follow the System as it is changed by us over time. Without those commitments and promises by you, this franchise would not be awarded to you.

**1.2 Definitions.** When we use various words or phrases in this Agreement, they mean the following:

“**Adjusted Gross Sales**” – Defined in Section 9.3, below.

“**Affiliate**” – Any person or entity which controls, is controlled by or is under common control with another person or entity, any “immediate family member” of any person and any entity controlled by any of the foregoing.

**“Agreement”** – This Franchise Agreement.

**“Business Judgment”** – When we make a determination in our Business Judgment, it means that our decisions/actions are to be made in a commercially reasonable manner. Decisions/actions will be deemed commercially reasonable if we make them in what we believe is the interests of the Relax The Back System, even if alternative decisions and/or actions might also be commercially reasonable and/or a particular decision/action may have negative consequences for a particular franchisee or group of franchisees. In any case, you, we and all other Relax The Back Franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, you and we agree that the ultimate decision-making responsibility for the Relax The Back system must be vested in us. No franchisee or other party (including any third party acting as an arbitrator or trier of fact) is entitled to substitute its judgment for ours, so long as we act in compliance with all legal requirements in a commercially reasonable manner and in the interests of the Relax The Back System.

**“Core Inventory”** – The specific product items or choice within a product category within the broader inventory assortment required to comply with our Relax The Back merchandising standards. We reserve the right to modify the content of the Core Inventory assortment at any time.

**“Designated Equipment”** – Equipment that meets our requirements and which you must obtain and use in the operation of your Relax The Back Store.

**“Franchise”** – The right to operate a single Traditional Relax The Back Store at the Premises under the terms of this Agreement.

**“Franchisee Association Board”** or **“FAB”** – The advisory group selected in accordance with [Section 7.6](#) of this Agreement, which shall provide input as provided in this Agreement and as we may request from time to time.

**“Franchisee Association”** – The association (if any) then representing a majority of Relax The Back Franchisees in Good Standing.

**“Franchised Business”** – A Relax The Back Store business which provides to customers a wide variety of back-related and other products and services as authorized by us while using the Marks and System, as expressly permitted by us from time to time and in accordance with the terms of this Agreement.

**“Franchisor-Related Persons/Entities”** – Relax The Back Corporation, the Marketing Fund, FAB and each and all of the following, whether past, current and/or future: each and all company(ies) and/or person(s) acting through, in concert, affiliated and/or associated in any way with, us and/or any of the foregoing, any persons/entities controlling, controlled by and/or under common control with us and/or any of the foregoing, each and all of the partners, shareholders, officers, directors, agents, attorneys, accountants, and/or employees of us and/or any of the foregoing, as well as each and all of the predecessors, successors and/or assigns of us and/or any of the foregoing.

**“General Release”** – A general release, in form prescribed by us, of any and all claims, liabilities and/or obligations, of any nature whatsoever, including (but not limited to) those arising between the date of this Agreement and the date of any such release, however arising, known or unknown, whether against us and/or any or all of the Franchisor-Related Persons/Entities, and whether by you, any owner of you (if you are or become a business entity) and/or any affiliate of any of the foregoing.

**“Good Standing”** – You are in “Good Standing” if you are in full compliance with the terms of this Franchise Agreement and are not otherwise in default.

**“Immediate Family”** – With respect to any person, “immediate family” includes that person’s spouse and/or domestic partner and each of their respective parents, grandparents, siblings, children, grandchildren, aunts, uncles, cousins, nieces and/or nephews (including step and/or adoptive family members) 18 years or older. For the purposes of this

definition, if the franchisee is a business entity, “any person” includes a person with a 10% or greater interest in the franchisee entity, or who is an officer, director or holds a similar position with such entity.

**“Input”** – When we refer to input (or use a similar word or phrase) from the FAB or any other franchisee group, it means advice and suggestions. We will retain the ultimate decision-making authority and responsibility for all matters for which Input is sought. Input will not be binding on us. Approval or consent by the FAB, the Franchisee Association, or any other franchisee group will not be required as a pre-condition to any decision and/or action we may take except in those specific instances stated in this Agreement.

**“Manuals”** – Written, video, audio and/or software media (including materials distributed electronically), regardless of title, which are produced by us or an agent of ours and which contain specifications, standards, policies, procedures and recommendations for the operation of your Relax The Back Store and your performance under this Agreement, including (but not limited to) all goods and services to be sold and/or provided at or from your Relax The Back Store and/or in association with the Marks.

**“Marks”** – The trademarks, service marks and other commercial symbols now and/or in the future owned by (or licensed to) us and which we designate to be used to identify the services and/or products offered by Traditional Relax The Back Stores, including (but not limited to) the mark “Relax The Back”, the Trade Dress and certain associated logos.

**“Online Presence”** - Any website, domain name, email address, social media account or use, streaming media account or use, user name, other online, digital, or virtual presence or presence on any electronic medium of any kind.

**“Premises”** – The location at which you will operate a single Relax The Back Store.

**“Products”** and **“Services”** – Products and services designated by us for use, sale or otherwise provided and/or used at or from your Relax The Back Store and/or in association with the Marks.

**“Relax The Back Store”** – The Traditional Relax The Back Store that you are franchised to operate pursuant to this Agreement.

**“Similar Business”** – Any enterprise (including not-for-profit operations) that offers or is otherwise involved or deals with any goods and/or services, which are now or in the future authorized by us to be offered at or from Relax The Back Stores, including any business awarding franchises or licenses to others to operate or be involved with any such business.

**“Store Vicinity”** - The geographical area established by us within which a proposed site must be located as provided in Exhibit 2.2. The Store Vicinity is identified so that we can properly administer our franchise operations and is only for the purposes of ensuring that you seek and locate a site for our approval within a specified geographical area. It is not meant to be, nor is it, a franchise ‘territory’ of any sort.

**“System”** – The distinctive format and method of doing business developed, used and/or modified by us, in our Business Judgment, for the operation of a Relax The Back Store, and subject to change by us at any time and in our Business Judgment.

**“System Standards”** – means the operating procedures, standards, requirements and specifications, whether contained in the Manuals or elsewhere, which we have the right to improve, further develop or modify from time to time and which are mandatory in nature so as to comprise the requirements to be followed by all Relax The Back Stores, and the use of the Marks in connection therewith.

**“Territory”** – The geographical area described in Exhibit 2.2.

**“Trade Dress”** – The Relax The Back Store layout design and image authorized by us and subject to change by us at any time and in our Business Judgment.

**“Traditional Relax The Back Store”** – A “Traditional Relax The Back Store” means a standard “brick and mortar” retail facility that: (i) is located in a free-standing building or a shopping center accessible to the general public, which is not within a captive market (for example within another store, mall, airport, or other larger facility or complex) or within any kiosk, mobile, temporary, seasonal or other facility with inherently distinguishable operational specifications, and (ii) offers all of our core assortment of back care products, and a wide variety of other back related and other products and services as authorized by us, from time-to-time, and using the Marks and Relax The Back System.

**“Us,” “We,” “Our” or “Franchisor”** – Relax The Back Corporation, a Delaware corporation.

**“You,” “Your” or “Franchisee”** – The individual(s) signing this Agreement as Franchisee. (If there is more than one Franchisee, each is jointly and severally obligated under this Agreement and all other agreements with us relating to your Traditional Relax The Back Store (If Franchisee is a corporate entity, then each owner thereof shall be required to sign the then current form of Owners Guaranty, the present form of which is attached to this Franchise Agreement as Exhibit 1.2 (B) and incorporated herein.)

## **2. AWARD OF FRANCHISE.**

**2.1 Award of Franchise; Term, Your Basic Commitment.** We hereby grant you a Franchise to operate a single Traditional Relax The Back Store at a location to be approved by us, and to use the Marks and the System in the operation of that Traditional Relax The Back Store. The term of the franchise begins on the Effective Date of this Agreement and ends on the Expiration Date, both of which dates are noted on the first page of this Agreement.

We retain all rights relating to, and you have no rights to use the Marks and the System in connection with any Online Presence. However, we may from time to time permit you to do so subject to our prior written approval. Any such use permitted by us may be restricted by us in our Business Judgment, and we may require you to accept orders only from customers located in the Territory.

You will faithfully, honestly and diligently perform your obligations under this Agreement, and will use commercially reasonable efforts to maximize the business of your Relax The Back Store and the goodwill of the Marks. You must not conduct the business of the Relax The Back Store or use the Marks from any location other than the Premises or for any purpose other than as approved by us in writing. You must not engage in the operation of any wholesale business or conduct any other activities from the Premises other than your Relax The Back Store. You must use and sell only products and services, and only deal with suppliers, approved by us. You agree to be personally accountable for the performance of your obligations under this and all other agreements.

### **2.2 Territory.**

Subject to our rights as set forth in this Section 2.2 and throughout this Agreement, we will not during the term of this Agreement enter into a Franchise Agreement licensing a Traditional Relax The Back Store, or open a Franchisor-owned Traditional Relax The Back Store, to be located inside the area (the “Territory”) described on Exhibit 2.2. The Franchise is awarded for a single location only.

Your Territory and other rights are exactly (and only) as expressly set forth in this Agreement. We expressly reserve all other rights, including among them the rights to:

- i) own and/or operate ourselves, and/or authorize others to own and/or operate:

- Store; and
- a) any kind of business in the Territory, except for a Traditional Relax The Back Store; and
  - b) any kind of business outside of the Territory, whether or not using the Marks and System; including without limitation, Traditional Relax The Back Stores;
- ii) sell, and/or authorize others to sell, Relax The Back brand (or any other brand) products and services (whether or not competitive) to customers located anywhere (including within the Territory) by catalog or Online Presence, except as provided in subsections (iii) through (vi), below;
  - iii) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the Relax The Back System and/or the Marks, and/or award franchises under such other concepts for locations anywhere; provided that if any such concept development opportunity involves the location of a physical unit inside the Territory for the distribution of competitive, back-related products/services, we will provide you with a right of first refusal for such an operation, subject to the process described in subsection (vi), below;
  - iv) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Relax The Back Marks and System). Such transactions are expressly permitted under this Agreement, and you agree to participate at your expense in any such conversion as may be required by us. We will permit you a reasonable period of time as determined by us in our Business Judgment in which to complete such a conversion, but in no event will such period be less than twelve (12) months from your receipt of written conversion instructions from us;
  - v) “special distribution opportunities”, including but not limited to Relax The Back outlets associated with larger retail facilities such as general merchandise stores (i.e. “store in a store”) or similar facilities, and limited square footage outlets like an “express” unit and/or kiosk units housed within other retail facilities, such as a department store; provided that if any such distribution opportunity involves the location of a physical unit for the distribution of products/services under the Relax The Back Marks inside the Territory, we will provide you with a right of first refusal for such an operation, subject to the process described in subsection vi, below.
  - vi) if in Good Standing, a right of first refusal regarding a concept development opportunity as described in subsection iii), above, or a special distribution opportunity, as described in subsection v), above, (individually or collectively, the “Territory Opportunity”), will be processed as follows: We will provide you written notice of a Territory Opportunity expected to be physically located in your Territory. You shall have sixty (60) days in which to advise us in writing that you wish to participate in the Territory Opportunity. If you do not notify us within such period, then we may pursue such Territory Opportunity and/or grant any other person/entity the right to participate in such Territory Opportunity without any liability to you. If you timely notify us in writing that you do wish to participate in the Territory Opportunity, then we may condition your participation on compliance with such terms and conditions as we consider appropriate to the particular Territory Opportunity in our Business Judgment. Such conditions may include, but are not limited to: your execution of such agreements and related documents as are then generally used by us in connection with the award of the applicable Territory Opportunity; payment of all initial fees and any other applicable fees; meeting any eligibility requirements as are then generally applied by us to candidates for a Territory Opportunity; and the execution by you (and any affiliate and owner of yours) of a General Release, as defined in Section 1.2, above. When you provide us with such General Release, we will give to you a release of any and all claims of ours against you and/or any affiliate/owner of yours which arise out of or relate to this Franchise Agreement (and no other agreement or franchise) and which must as of the date of the General Release and are known by us, except that any such claims will be preserved by us if we disclose them to you in writing. If you do not meet the conditions applicable to the award of the Territory Opportunity and/or any opening requirements that may be included in any Territory Opportunity agreements, then we may pursue such Territory Opportunity and/or grant any other person/entity the right to participate in it, without any liability to you.

Exhibit 2.2 will state the location of your Store and your Territory. If the location for your Traditional Relax The Back Store has not been identified by the date of this Agreement and subject to your compliance with Section 3.1, below, you and we agree to amend Exhibit 2.2 within fifteen days (15) days of our notice to you of our acceptance of a proposed site and of your Territory. Any site proposed by you for our consideration shall be located within the Store Vicinity identified on Exhibit 2.2. The Store Vicinity is not, nor should it be construed as, your Territory.

If this Agreement is subject to termination by us and the applicable default has not been cured, or if you have failed to meet the performance standards set forth in Section 16.3, we may, in our Business Judgment, reduce, eliminate or otherwise modify your territorial rights.

### **2.3 Alternative Channels of Distribution.**

You understand that a “Traditional Relax The Back Store” is defined in Section 1.2 above, and subject to the limitations described in Section 2.2(ii), you do not have any rights to any non-traditional Relax The Back Stores or other distribution opportunities, including any Relax The Back Online Presence, virtual studio, showroom and/or Relax The Back direct mail operations. You further understand and agree that we are currently using the Relax The Back brand for offers and sales through Online Presences and mail order.

You agree not to offer and/or provide through any Online Presence and/or similar venues any Relax The Back products and services, or any other competitive products/services as may be designated by us, without our written permission, which we can grant, condition or deny in our Business Judgment. We currently sell products through a Relax The Back e-commerce site. We intend to share a portion of the proceeds from the e-commerce sales with franchisees provided the e-commerce program is profitable and the franchisee is in good standing and meets our then-current qualifications for the program. We have the right to modify our e-commerce program and revenue sharing policies from time to time. As the Internet is a constantly changing vehicle, we will regularly review the program and policies and obtain and consider FAB input on proposed changes. The portion is subject to change by us in our Business Judgment unless otherwise specifically agreed upon in writing signed by us. We will obtain and consider Input from FAB prior to making any changes in the shared portion of such product/service sales.

Upon request from us, you will provide liaison, support and other services to such customers placing digital orders on our branded website in exchange for reasonable compensation to be established by us in our Business Judgment after consideration of FAB Input. The amount of any such compensation will be applied as a credit against your Continuing Royalty Fee or, at our option, any other money owed or to be owed by you to us or any Franchisor-Related Person/Entity. We will provide you with a report on at least a quarterly basis of any such sales and corresponding credits due you. We may establish the terms and conditions for all of these programs in our discretion, including setting minimum participation criteria. We may change the terms and conditions or participation criteria for these programs and/or terminate, revoke, amend, or modify any of these programs at any time in our sole discretion. Any credits outstanding as of the date of any transfer, termination or expiration of this Agreement will be deemed to have expired, unless you have another Franchise Agreement with us or are granted a successor franchise against which any credits may be applied. We do not guarantee, and you are not assured, that any sales will be made by us or credits realized by you in connection with any Relax The Back e-commerce site or direct mail catalogue.

Our current policy is to allow you to accept orders from any customer located anywhere, but we can change this policy at any time in our Business Judgment. You will comply with any reasonable restrictions we specify as to the customers to whom you may offer or sell outside of the Territory to the extent that such restrictions apply to offers and sales from customers located in another Relax The Back Store’s territory. You will not direct market to customers outside of your Territory, except as authorized by us in writing. Any Relax The Back product catalogue made available to you by us for direct marketing purposes will be distributed by you in compliance with this provision.

**3. DEVELOPMENT AND OPENING OF YOUR TRADITIONAL RELAX THE BACK STORE.**

**3.1 Site Selection.** If the site for your Relax The Back Store has not been identified and purchased (or leased) by you and accepted by us by the time you and we sign this Agreement, then within twelve (12) months from the date of this Agreement you must obtain possession of a site suitable for the operation of your Relax The Back Store and acceptable to us. You will not make any commitments with respect to any location or operate a Relax The Back Store and/or use any of the Marks from or at any location until and unless we have accepted the location. We will not unreasonably withhold our acceptance of a site that meets our standards but we can't provide any assurance that appropriate sites will be available, the terms on which possession may be obtained or otherwise, all such matters being your sole responsibility. If you are unable to obtain possession of such a site within such periods, we may terminate our obligations and your rights under this Agreement, provided we refund to you the lesser of (a) one-half (1/2) of the initial franchise fee paid to us or (b) the initial franchise fee less all expenses (including legal fees, broker and other commissions, travel, training costs, etc.) incurred in connection with such franchising and termination; and you will execute documents acceptable to us, providing for (1) continuation of your indemnification, confidentiality and non-competition obligations and the dispute avoidance and resolution provisions of this Agreement, including those of Sections 19 and 21, and (2) a General Release. We will, on receipt of such General Release, release you from your obligations under this Agreement, except that your post-termination obligations, including indemnity, non-competition and confidentiality, and the provisions of Sections 19 and 21 of this Agreement will survive such cancellation.

In connection with any proposed location, we will supply you with a site evaluation form, which you must promptly complete and return to us prior to our review and possible acceptance of any proposed location. Acceptance by us of any location is in no way a recommendation, approval or endorsement of such location nor a representation or warranty as to its legal or business availability, suitability, appropriateness, success potential or otherwise and we cannot guarantee success for any location.

While we may assist you in your efforts to select, obtain and develop a site, the selection, obtaining and developing of a site, and all other matters related in any way to your site, are your sole responsibility and neither we nor any of Franchisor-Related Persons/Entities nor any other person or company affiliated or associated with us in any way will have any liability or responsibility with respect to any matters related in any way to the site for your Relax The Back Store, including (but not limited to) site location, identification, evaluation, selection, lease/purchase negotiation, financing, review of documents, construction, build out, plans, compliance with local requirements, suitability for any use or otherwise, all such responsibilities being solely yours. The business realities are such that neither we nor anyone else can assure you that a particular location will be successful and you agree that you will not make any claims against us and/or any of the Franchisor-related Persons/Entities with regard to any matters related in any way to your site.

We will make available to you standard and/or site specific plans and specifications to be utilized by you in the construction or otherwise of your Relax The Back Store. You must obtain, at your sole expense, all further qualified architectural and engineering services to prepare surveys, site and foundation plans and adapt any plans and specifications to your location and all applicable laws, regulations and ordinances. Any changes from plans and/or modifications (other than those provided by us) must be submitted to us for our consent, which we may grant, condition or withhold in our Business Judgment. Within thirty (30) days after you open for business, you will provide us with copies of plans showing your Relax The Back Store as actually built. Concurrent with this submission, you will provide us with an accounting detailing your actual initial investment to construct and open your Relax The Back Store, which accounting shall be presented in the same format as the initial investment chart in Item 7 of the Franchise Disclosure Document.

We make no representations, guarantees or otherwise as to the costs of development and build-out (or otherwise) of your Relax The Back Store, the date on which your Relax The Back Store will be open for business or otherwise.

**3.2 Lease of Premises.** Any lease or sublease (and all addenda and other site-related documents) for your Relax The Back Store must be satisfactory to us in our Business Judgment and will not execute such document without our prior written consent. You shall submit any lease and all site-related documents to us for our review prior to their execution by you. You acknowledge and agree that our acceptance of your lease or sublease is only for the initial term of the lease. If you intend to renew the lease for the premises, you must re-submit it to us for approval. We have the right to not accept the site if it no longer meets our standard criteria. You agree to use commercially reasonable efforts to ensure that any lease contains certain provisions we require, including collateral assignment of lease, pursuant to the form of lease addendum attached as Exhibit 3.2 hereto. If such provisions are not included in the lease or other instruments, (and/or a collateral assignment of lease is not executed by you and the lessor/sublessor), we may, without liability and at our sole option at any time require that if possible you immediately cause such provisions to be inserted. You must deliver a copy of the signed lease or sublease to us within five (5) days after it's signed.

**3.3 Relax The Back Store Design Standards.** You are responsible, at your expense, for doing all things necessary to construct and develop your Relax The Back Store in accordance with our System Standards and all applicable laws, regulations and ordinances. We will furnish you with standards, specifications and other requirements for design, decoration, layout, equipment, furniture, fixtures, signs and other items for your Relax The Back Store, with which you must comply.

**3.4 Development Schedule for Your Relax The Back Store.** You must select and employ a licensed contractor and you must commence construction and/or development as soon as possible and will expeditiously attend to its completion, purchase and pay for all supplies; purchase, pay for and attend to the installation of all fixtures and equipment, train all employees, obtain all required insurance, permits and licenses and do everything necessary for your Relax The Back Store to open for business within twelve (12) months from the date of this Agreement. We do not warrant or guaranty to you in any way that any contractor (even one referred to you by us) is suitable, competent, reliable or otherwise able to perform adequately the tasks for which they are hired and you are the only person/company with any responsibility for the selection and work of any contractor selected and/or employed by you.

**3.5 Equipment, Furniture, Fixtures and Signs.** You must use in the development and operation of your Relax The Back Store only those (and each of those) brands, types and/or models of equipment, furniture, fixtures and signs as are consented to by us and using only suppliers designated or approved by us, which may include and/or be limited to ourselves and/or our affiliates.

**3.6 Relax The Back Store Opening.** You will not open your Relax The Back Store for business until: (1) we notify you that all of your pre-opening obligations have been fulfilled; (2) pre-opening training of all of your personnel has been completed; (3) all amounts then due us (and/or any affiliate) have been paid; and (4) we have been furnished with copies of all insurance policies as required under Section 10.6 of this Agreement, leases/subleases, certificate of occupancy and other documents as required by this Agreement. You must open your Relax The Back Store for business within five (5) days after we give notice to you stating that your Relax The Back Store is ready for opening; provided, however, your failure to open within twelve (12) months is a breach of Section 3.4.

**3.7 Grand Opening Program - Marketing.** You will spend at least \$10,000 on a grand opening marketing program during the first ninety (90) days of operations, for which you will only use marketing, advertising and public relations programs, media and materials consented to by us. We will furnish advice and guidance to you with respect to such program, which you will follow.

**3.8 Relocation of Relax The Back Store Premises.** If your lease or sublease for your Relax The Back Store expires or terminates without your fault, if your Relax The Back Store is damaged, condemned or otherwise rendered unusable, or if, in your and our judgment, there is a change in the character of the location of your Relax The Back Store sufficiently detrimental to its business potential to warrant its relocation, you will provide us with a relocation business plan (including time frames, budget and related re-grand opening marketing expenditures) and will relocate your Relax The Back Store to a location and premises acceptable to us. Permission for any such relocation

shall not be unreasonably withheld, but any such relocation will be at your sole expense and you (and each affiliate of yours) will sign a General Release when we grant such consent.

#### **4. COMPUTER HARDWARE AND SOFTWARE SYSTEMS.**

You must purchase, use, maintain and update computer and other systems (including point-of-sale, back-office and other systems) and software programs which meet our specifications as they evolve over time. You must maintain your systems on-line to provide full access for computer systems used by us. Unless otherwise indicated, you must purchase from us a license to use the required software application at the then-current price set forth in the Manuals. You must update and otherwise change your computer hardware and software systems as we require from time-to-time, at your expense. However, we will not require a substantial update of your computer hardware more than once every five years, unless such an earlier update recommended by us is considered and approved by the FAB. For purposes of this provision, “substantial” shall mean a hardware update typically costing in excess of \$10,000. Any hardware update required by us in connection with a franchise transfer and/or a grant to you of a successor franchise will not be subject to the limitations described in this paragraph.

You will continuously comply with each of our then-current terms of use and privacy policies (and all other requirements) regarding all computer and other systems, including (but not limited to) the use of any Online Presence, and including any requests to return or delete consumer personal information, whether requested by us or directly by the consumer, and/or as otherwise required by applicable data sharing and privacy laws. You will pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support, and updates. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the POS System or other technology used in the operation of your Business, including all data protection or security laws as well as PCI compliance. If you become aware of a suspected or actual breach of security or unauthorized access involving personally identifiable information, you will notify us immediately and specify the extent to which personally identifiable information was compromised or disclosed. You also agree to follow our guidelines relating to all curative actions and public statements relating to the breach.

Neither we nor any of the Franchisor-Related Persons/Entities will have any liability or obligation (and neither you, nor any affiliate of yours, will make any claims) with respect to, any failures, errors or otherwise, of or by (or any loss, damage, liability, expense, or otherwise caused by or related to) any computer systems, software, hardware or otherwise, whether or not provided or specified by us, any of the Franchisor-Related Persons/Entities or any supplier, and you expressly agree that any liability, costs or claims arising from such failures, errors or otherwise are indemnifiable by you under Section 7.4.

#### **5. TRAINING AND GUIDANCE.**

**5.1 Training.** The initial Franchise Fee covers an initial onboarding program for you and your initial Relax The Back Store manager, at a time and place (or virtually, at our election), and for such period, as we designate in our Business Judgment. You and your initial Relax The Back Store manager must each attend and complete our onboarding program to our satisfaction (in our Business Judgment) before beginning operation of your Relax The Back Store. Subsequent managers also must attend and complete our onboarding program to our satisfaction before managing your store operations. In addition, we can require successful completion of training by all of your supervisory personnel at such times and places as we designate. We may charge a reasonable fee for the onboarding of subsequent managers and/or other supervisory personnel, unless otherwise expressly agreed by us in writing.

If we, in our Business Judgment, determine that you have not successfully completed (or are not making satisfactory progress in) the onboarding program, we can cancel all of your rights (and all of our obligations) under this Agreement and/or any other agreements with you and refund to you the lesser of (a) one-half of the initial franchise fee paid to us or (b) the initial franchise fee less all expenses (including legal fees, broker and other commissions, travel, training costs, etc.) incurred in connection with such franchising and termination. You will return all manuals and you (and each affiliate of yours) will execute documentation providing for a General Release, and your indemnity, non-competition, confidentiality obligations, and the dispute avoidance and resolution provisions of this Agreement,

including those of Sections 19 and 21, will be preserved. We will, on receipt of such General Release, release you from your obligations under this Agreement, except that your post-termination obligations, including indemnity, non-competition and confidentiality, and the provisions of Sections 19 and 21, will survive such cancellation. Since the possibility of such termination exists, you understand that if you make any investments or sign any documents prior to completion of training, you are at risk. Alternatively, we can require you to hire a substitute manager and arrange for him/her to complete the training program to our satisfaction.

You and your manager must attend additional and/or refresher training programs conducted at location(s) specified by us (or virtually, at our election), including national and regional conferences, conventions and meetings, and your other employees may be required to attend mandatory training programs presented by us at your Relax the Back Store (or virtually, at our election). You will be responsible for all travel, living, incidental, and other expenses and compensation of you and your personnel attending any training program. We may charge a fee for any optional training programs.

We will offer to provide on a tuition free basis a minimum per calendar year of one training session of our choosing at your Traditional Relax The Back Store (or virtually, at our election). We also may conduct on an annual basis a minimum of one visit to your Relax the Back Store (or virtually, at our election) for general business purposes, which may be combined with a training session in satisfaction of both annual obligations.

You acknowledge and agree that any onboarding, training, support, guidance, or tools we provide to you as part of the franchise are for the purpose of protecting the Relax The Back brand and Marks and to assist you in the operation of your business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages and other compensation (including benefits), training, supervision and termination of your employees and all other employment and employee related matters.

Notwithstanding anything to the contrary in this Agreement or otherwise, you agree that we are not required to send any of our representatives to your Relax The Back Store to provide any onboarding, training, assistance or services if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you from your obligations under this Agreement (including to pay monies owed) and will not serve as a basis for your termination of this Agreement.

**5.2 Guidance and Assistance.** We will furnish guidance to you with respect to: (1) specifications, standards and operating procedures utilized by Relax The Back Stores, including any modifications; (2) purchasing and/or leasing approved equipment, fixtures, signs, inventory, operating materials and supplies; (3) developing and implementing local marketing and public relations programs; (4) administrative, bookkeeping, accounting, inventory control, open to buy and general operating and management procedures; and (5) establishing and conducting employee training programs at your Relax The Back Store. This guidance can, in our Business Judgment, be furnished in the Manuals, via an Online Presence, bulletins, written reports and recommendations, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your Relax The Back Store. You must follow and comply with this guidance.

**5.3 Manuals.** During the term of the Franchise, we will loan you (or allow you electronic or other access to) one copy of the Manuals, containing mandatory and suggested specifications, standards and operating procedures prescribed from time-to-time by us. We may, in our Business Judgment, modify any aspect of the Manuals, our System Standards or otherwise, to, among other things, specify brands, types and/or models of equipment which must be used by you, to specify changes in the Products and Services used and/or offered by you, and/or the decor, format, image, products, services, operations or otherwise of a Relax The Back Store. The System Standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The System Standards generally will be set forth in the Manuals or other written materials. In some instances, the System Standards will include recommendations or guidelines to meet the mandatory standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the System Standards. In other instances, no suitable alternative may exist. In order to protect our

interests in the System and Marks, we reserve the right to determine if you are meeting a System Standard and whether an alternative is suitable to any recommendations or guidelines.

We will not require more than once every five years a substantial remodel, refurbishment and/or redecoration of the Premises to comply with then-current standards for newly developed Traditional Relax The Back Stores, unless such an earlier update recommended by us is considered and approved by the FAB. For purposes of this provision, “substantial” shall mean a remodel, refurbishment and/or redecoration in excess of \$15,000. Any update required by us in connection with a transfer and/or a grant to you of a successor franchise will not be subject to the limitations described in this Section 5.3

Any additions/deletions/changes to the Manuals will take precedence over all prior communications. In the event of a dispute, the master Manuals maintained at our office will control. The mandatory provisions of the Manuals, as added and/or modified from time-to-time, constitute provisions of this Agreement and are binding upon you. The Manuals contain proprietary information of ours and you agree to keep the Manuals confidential at all times and will not make or distribute any copies of any portion of any Manuals without our express written authorization.

## **6. INTELLECTUAL PROPERTY.**

**6.1 Goodwill and Ownership of Marks and the System.** Your right to use the Marks and the System is derived solely from this Agreement and you will use the Marks and the System only as expressly authorized by us. Any unauthorized use of the Marks or the System by you is a breach of this Agreement and an infringement of our intellectual property rights. You agree that if you breach any obligation regarding the Marks or the System, we would have no adequate remedy at law and that we will be entitled to equitable relief with respect to any such breach. Your rights to the Marks and the System are non-exclusive and we retain the sole right to grant other licenses for the Marks and the System without providing you with any rights subject to the restrictions of Section 2.2, above. You agree that you will not oppose, or engage in any acts or omissions inconsistent with, our rights in and to the Marks and the System. This Agreement, and your operation of your Relax The Back Store, does not confer any goodwill or other interests in the Marks or the System on you. All goodwill (whether relating to the Marks, the System, or otherwise) belongs exclusively to us. All provisions of this Agreement relating to the Marks will apply to any other trademarks, service marks and commercial symbols authorized for use by you. Any marks or other forms of identification developed by us in the future will remain our property and you will have no rights in or to them but we may require you to use them as we direct.

**6.2 Limitations and Use of Marks.** You will use the Marks as the sole identification for your Relax The Back Store. You will not use any Mark in connection with the performance or sale of any unauthorized services or products or at any location or in any other manner not expressly authorized in writing by us. You will not use any Mark as part of any corporate or trade name or as your primary business name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You will, before adoption and/or use, submit any proposed corporate and/or trade name to us for our consent, which we may withhold, grant or condition in our Business Judgment. The use of any geographic or other designation in connection with the Marks will be only as permitted by us, you will have no rights with regard to any geographic or other designation and you will not take any action inhibiting or otherwise affecting the use of the Marks by any Relax The Back Franchisee or anyone else. You must display the Marks as we require and you will not use any of the Marks, or take any other action that would negatively affect the goodwill associated with the Marks. You must use such trademark and other notices (including notices of independent ownership) as we direct and will, at your expense, obtain fictitious or assumed name registrations as may be required under law. You must sign such documents and act as required by us from time-to-time to protect our interests in the Marks and you won’t take any action, or omit to take an action, so as to jeopardize our interests or the validity or enforceability of the Marks. We retain all rights relating to, and you have no rights to use the Marks and the Relax The Back System in connection with any Online Presence, except in accordance our guidelines set forth in the Manuals or otherwise in writing from time to time. Any such use permitted by us may be restricted by us from time to time, and we may require you to accept orders only from customers located in the Territory. You may not use the Marks to advertise or solicit offers for any transfer that would require our approval under this Agreement, without our prior approval of such materials.

You are not permitted to promote your Relax The Back Store or use any of the Marks in any manner on any Online Presence without our prior written consent. If we consent to your use of any Online Presence, we may also require you to sign our then-current policy for use of any such Online Presence. We will control all advertising and promotional initiatives conducted through any Online Presence. You must comply with our System Standards regarding the use of any Online Presence in your Relax The Back Store operation, including prohibitions on you and the Store's employees posting or blogging comments about the Store or the System, other than on an Online Presence established or authorized by us. You shall regularly update any branded Online Presence to which we have provided you access in accordance with our guidelines. We reserve the right to conduct collective/national campaigns via local any Online Presence on your behalf.

**6.3 Notification of Infringements and Claims.** You must immediately notify us of any apparent or actual infringement of, or challenge to, your use of the Marks, or any claim by any person of any rights in the Marks, and you will not communicate with anyone other than us and our counsel in connection with any such matter. We shall take such action as we deem appropriate in our sole determination in connection with such (or related) matters. We shall have the right to control exclusively any settlement, litigation or proceeding arising out of or related to any such matters. You must execute any and all instruments and documents, render such assistance, and do such acts and things as may, in our opinion, be advisable to protect and maintain our interests in the Marks.

**6.4 Discontinuance of Use of Marks.** If it becomes advisable at any time in our Business Judgment, for you to modify or discontinue the use of any of the Marks or use one or more additional or substitute trademarks or service marks, you will promptly comply (at your sole expense) with our directions, including (but not limited to) replacement of all signage, etc. We will not have any liability or obligation to you in such an event, whether of defense, indemnity, or otherwise, except and only as specifically provided below in this Section 6.4.) You agree to make no claim, for, or in connection with, any modification, discontinuance or otherwise, and/or any dispute regarding the Marks and/or your and/or our rights in or to them. We make no guaranty that a modification, discontinuance or otherwise may not be required, whether as a result of expiration, termination or limitation of our rights to the Marks or otherwise. You understand that there is always a possibility that there might be one or more businesses, similar to the business covered by the Franchise, operating in or near the area(s) where you may do business or otherwise, using a name and/or marks similar to ours and with superior rights to such name and/or marks as a result of prior use or otherwise. We strongly urge you to research this possibility, including using internet searches, local filings and other means, prior to your signing any documents, expending or paying any sums or making any commitments and you understand that if you fail to do so, you're at risk.

- i) If we require you to discontinue your use of the Relax The Back brand in the operation of your Franchised Business at the Premises, then you will relocate to a mutually acceptable alternative site inside the Territory from which you may lawfully operate your Franchised Business under the Relax The Back brand and Marks; or
- ii) if such an alternative site cannot be found and/or lawfully operated within the Territory, then relocate to a mutually acceptable site in an alternative available territory from which you may lawfully operate your Franchised Business under the Relax The Back brand and Marks; or
- iii) if such a mutually acceptable site cannot be found, we will identify and license to you with a commercially reasonable alternative brand for your operation at the Premises.

We will compensate you for reasonable relocation-related and/or re-branding expenses (as applicable) up to a maximum of \$25,000; provided that you, your owners and affiliates sign a General Release.

Any such compensation may, in our sole determination, be applied as a credit against your Continuing Royalty Fee, Marketing Fund contributions or, at our option, any other money owed or to be owed by you to us and/or any Franchisor-Related Person/Entities.

## 7. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.

**7.1 Independent Contractor.** You must conspicuously and clearly identify yourself (through prominently placed signage and otherwise as we direct) in all dealings with customers, suppliers, public officials, employees and others as an independent owner of your Relax The Back Store under a franchise awarded by us and make it clear that the operation of your Relax The Back Store is separate and distinct from the operation of our business. In particular, you must place notices of independent ownership on such forms, business cards, stationery, advertising, signs and other materials as we require from time-to-time. Subject to the requirements of this Agreement and the Manuals, you will have complete operational control of your business, including the right to hire and fire each employee.

**7.2 No Liability for Acts of Other Party.** You will not commit any act or omission that may result in our liability for any indebtedness or obligations of yours, you won't make any express or implied agreements or representations, or incur any debt, in our name, or represent that your and our relationship is other than that of independent Franchisor and Franchisee. Neither you nor we will have any liability under any acts, omissions, agreements or representations made by the other that are not expressly authorized in writing.

**7.3 Taxes.** We will have no liability for any taxes, whether levied on you, your Relax The Back Store or your property, or on us, in connection with the sales made and/or business conducted by you (except for any taxes we are required by law to collect from you with respect to purchases from us). Payment of all taxes connected with the Franchised Business is your sole responsibility.

**7.4 Responsibility; Indemnity.** You will indemnify us and hold us harmless, and all of the Franchisor-Related Persons/Entities from all fines, suits, proceedings, claims, demands, actions, loss, damages, costs, fees (including attorneys' fees and related expenses) and/or any other expense, obligation and/or liability of any kind or nature, however arising, to the extent it grows out of or is otherwise connected with and/or related to any act, error and/or omission of yours (including, but not limited to, your ownership and/or operation of your Relax The Back Store, any act or omission of your employees and/or agents, and/or any transfer of any interest in this Agreement, your Relax The Back Store or otherwise). We have the right to control all litigation, and defend and/or settle any claim, against and/or including us and/or the Franchisor-Related Persons/Entities or affecting our and/or their interests, in such manner as we deem appropriate in our sole determination, in each case without affecting our rights under this indemnity (including choosing and retaining our own legal counsel). As between you and us, you are solely responsible for the safety and well-being of your employees and customers.

With respect to goods and/or services provided by us and/or the Franchisor-Related Persons/Entities, and other than specific written warranties expressly provided by us in connection with such items, such items are provided without any warranties by us, express or implied, the warranties of merchantability and fitness for a particular purpose being expressly disclaimed.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, if we incur any cost, liability, loss or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such cost, liability, loss and damage.

**7.5 Disclosure.** We can disclose in disclosure documents, related exhibits and/or as required by law any information relating to your Traditional Relax The Back Store, including your name, any address and/or phone number, revenues, expenses, results of operations and/or other information; provided that we will not disclose any such information in a manner that identifies a specific store and its related financial results except as required by law, court order, judicial process or by similar proceedings. We will not for the term of this Agreement or any extension thereof disclose any information about customers of your Traditional Relax The Back Store to any party unrelated to the Relax The Back System, except as may be required by this Agreement, by law or by judicial process.

**7.6 Relationship with Franchisee Association and Board Seat.** We will provide one non-voting advisory seat on our Board of Directors to be filled by a representative selected by a majority of the governing body of the Franchisee Association (subject to the Franchisee Association providing one non-voting advisory seat on the Franchisee Association’s governing body (e.g. Board of Directors) to be filled by a representative selected by us, under terms substantially similar to those set out in this section and with appropriate indemnities from the Franchisee Association in our favor, etc.) Such representative shall act as a liaison between the Franchisee Association and our Board. The term for such representative shall be twelve (12) months, unless otherwise agreed upon by us and the majority of the governing body of the Franchisee Association. At the end of each 24 month period, a majority of the governing body of the Franchisee Association will designate a new representative, or designate the same representative. It is the intention of the parties that this advisory member shall have no fiduciary responsibility to us and/or the Franchisor-Related Persons/Entities or to any other person. We will provide all of the same insurance and indemnities to this advisory member as we provide to other members of our Board and, in any event, shall indemnify such member to the full extent permitted by law. The advisory member shall execute the same confidentiality agreement as the other members of our Board of Directors, except that the advisory member may disclose any matters presented to the Franchisee Association’s governing body. We shall also sign an indemnity agreement whereby we indemnify the Franchisee Association’s representative from claims against the representative based upon or relating to such representative’s participation as an advisory member of our Board.

**7.7 Franchisee Association Board (“FAB”) and Selection Process.** The FAB will consist of the governing board of the Franchisee Association, subject to the following requirements. Each Store will have the right to join and participate in the Franchisee Association in accordance with the Franchisee Association bylaws. With the exception of the non-voting advisory seat member described in Section 7.6, above, Board members shall be elected by Relax The Back Franchisees. All Relax The Back Franchisees who are in Good Standing under the Franchise Agreement are entitled to vote in such an election. Any Relax The Back Franchisee in Good Standing under the Franchise Agreement may nominate, or be nominated as, a candidate in any such election. Each such Franchisee will be entitled to one vote.

If in connection with any given election the franchisee group representing a majority of franchisees does not comply with the foregoing requirements, or if there is no single franchisee group whose members represent a majority of the then existing franchisees, then we shall establish guidelines for such an election by franchisees in our Business Judgment. In establishing any such guidelines, due consideration shall be given to achieving a representative group of Stores, each of which shall have a constituency in their geographical region. Franchisees selected by Stores in Good Standing pursuant to such an election conducted by us shall, for purposes of this Agreement, be deemed to constitute the FAB. Any substantial changes to the bylaws adopted by the FAB shall be subject to our prior written consent, which shall not be unreasonably withheld.

**7.8 Input from Franchisee Association and FAB.** We may seek input from the FAB, the Franchisee Association or other groups or committees (individually and collectively, “Franchisee Advisory Groups”) with regard to certain matters as specified in this Agreement, and as we consider appropriate from time to time. The final decision in such matters will remain ours, unless the provision expressly requires the applicable Franchisee Advisory Group’s approval. Any approval of a matter by a majority vote of the FAB will be fully binding on you, regardless of whether or not such approval is required under this Agreement. We will be bound by a majority vote of the FAB on a matter only in those instances in which such FAB approval is required under this Agreement. Nothing in this Agreement will require a vote or other approval by all Relax The Back franchisees and/or all members of the Franchisee Association.

## **8. CONFIDENTIAL INFORMATION; EXCLUSIVE RELATIONSHIP.**

**8.1 Confidential Information - Non-Disclosure and Non-Use.** “Confidential Information” includes all information used or useable in connection with the operation of a Relax The Back Store or which relates to the System, including, among other things, all current and future: (1) techniques, policies, procedures, information, systems, and knowledge regarding the development, marketing, operation and franchising of Relax The Back Stores; (2) information regarding, and suppliers of, items used and/or offered by Relax The Back Stores, including the Products and Services and (3) all information regarding customers, including any statistical and/or financial

information and all lists. Confidential Information also includes all Manuals and their contents, as well as all materials, information, manuals, and advice provided by us during training or thereafter. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates. In any dispute between you and us involving any question as to whether or not certain information is, in fact, confidential and/or proprietary to us, or any related issues, the burden of proof and the burden of going forward will be on you. We will disclose to you parts of the Confidential Information needed for the operation of a Relax The Back Store, and you may learn additional Confidential Information during the term of the Franchise and/or during the term of a prior franchise relationship with us. Between you and us, we have all rights to the Confidential information. We own all Confidential Information and your only interest in the Confidential Information is the right to use it to operate your Relax the Back Store pursuant to this Agreement.

You agree that you will forever: (1) not use the Confidential Information in any way other than the operation of your Relax The Back Store under a Franchise Agreement in Good Standing with us; (2) maintain the absolute secrecy and confidentiality of the Confidential Information; (3) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions; (4) not make unauthorized copies of any portion of the Confidential Information; and (5) adopt and implement commercially reasonable security measures to prevent unauthorized use or disclosure of, or access to, the Confidential Information, including by restricting its disclosure to key personnel, and/or by requiring persons who have access to the Confidential Information to execute a non-disclose agreement that we approve. If any court of competent jurisdiction should deem the non-disclosure of Confidential Information requirement of this Section 8.1 to be overbroad, you agree to comply with clauses 1 through 4 of this paragraph, with respect to any such Confidential Information during and for a period of five (5) years following the term of this Agreement.

You must fully and promptly disclose to us all ideas, techniques, and otherwise relating to a Relax The Back Store which are conceived or developed by you and/or your employees and we will have the perpetual right to use, and to authorize others to use, such ideas, etc., without compensation or other obligation. Patented programs or products may be excluded from this provision in our Business Judgment.

You agree to comply with any practices or requirements we may implement through the Manuals or other written instruction that are intended to promote the proper use and nondisclosure of the Confidential Information by your employees, agents or other third parties, including their signing of a form of non-disclosure/confidentiality agreement approved by us.

**8.2 Exclusive Relationship, Restrictions on Similar Businesses During Franchise Term and After Transfer, Termination, Expiration, Repurchase.** You and we share a mutual interest in avoiding situations where persons or companies who are, or have been, Relax The Back Franchisees operate or otherwise become involved with, a Similar Business, anywhere, either during or after the term of this Agreement. You agree that the restrictions contained in this Section are reasonable and necessary for the protection of us and your fellow Relax The Back Franchisees (and our and their respective investments), represent a reasonable balancing of legitimate long-term interests, and will not impose any undue hardship on you, since you have other valuable opportunities, skills, experience, education and abilities unrelated to the ownership and/or operation of a Relax The Back Store and which will provide you with the opportunity to derive significant income from other endeavors.

Therefore, you agree as follows:

A. **In Term Restrictions:** During the term of this Agreement and any successor franchise, neither you, nor any affiliate of yours, nor any shareholder, member or partner of yours (if you are or become a business entity), nor any Immediate Family member of any of the foregoing, will:

i) have any direct or indirect interest anywhere in any Similar Business, or in any entity awarding franchises or licenses or establishing joint ventures or other business enterprises for the operation of Similar Businesses; or

ii) perform any services anywhere as an employee, agent, representative or in any capacity of any kind for any Similar Business, or for any entity awarding franchises or licenses or establishing joint ventures to operate Similar Businesses.

B. **Post Term Restrictions:** For three (3) years after the later of the following terminating events: (i) any transfer, repurchase and/or termination of this Agreement; (ii) the expiration of this Agreement (if a successor franchise or renewal term is not granted); and/or (iii) the date on which you stop operating your final Relax The Back Store or using the Marks and/or System, you and each of the persons and entities named in such Section 8.2, A., above:

1) shall not do Similar Business with or solicit any person, firm or company that has been a Relax The Back customer during the period twelve (12) months prior to termination, nor try to divert any such customers from any Relax The Back Store or Relax The Back enterprise of any kind (including any operations owned by us and/or any Franchisor-Related Persons/Entity); and

2) shall be subject to all of the restrictions stated in Section 8.2 A., above, with respect to Similar Businesses located, and/or services to be performed, in the Territory and/or the marketing area of any Traditional Relax The Back Store (“Marketing Area”). For the purposes of this Agreement, a Marketing Area for a franchisee-operated Store is the territory defined by such franchisee’s franchise agreement. For a Store owned by us or an affiliate, Marketing Area is defined as the geographic area comprised of those postal/zip code areas representing at least 85% of such Relax The Back Store’s customer base for the 24-month period prior to the terminating event (or from the opening date of such Relax The Back Store, if such location has been operating less than 24 months).

C. You are responsible for learning whether or not a particular location is within a Relax The Back Store Marketing Area by providing us a written request for such information. In determining the Marketing Area, we generally will follow a process whereby the percentage of the applicable customer base will be calculated for the postal/zip code in which the Relax The Back Store is located, for each postal/zip code immediately surrounding it, and, if necessary, for postal/zip codes contiguous to the surrounding codes, until such codes representing at least 85% of the customer base for the appropriate 24-month period have been identified. In those instances in which varying combinations of surrounding and/or adjacent zip/postal codes may total at least 85% of the customer base, we may select the combination that we consider in our Business Judgment to most appropriately be the Marketing Area. Any determination that we make regarding the Marketing Area will be final.

If you violate any of the foregoing restrictions, our remedies will include (but not be limited to) the right to obtain equitable relief and to receive all profits generated in connection with the operation of any Similar Business until the date you cease to violate such restrictions. All competitive restrictions will be extended for the length of time that any breach of your continuing obligations is ongoing. If any of the restrictions of this Section are determined to be unenforceable to an extent because of excessive duration, geographic scope, business coverage or otherwise, they will be reduced to the level that provides the greatest protection to us and the Relax The Back System, but which is still enforceable, notwithstanding any choice-of-law or other provisions in this Agreement to the contrary.

The restrictions of this Section don’t apply to the ownership of shares of a Similar Business (of a class of securities listed on a stock exchange or traded on the over-the-counter market) which represent less than 3% of the number of shares of that class issued and outstanding.

If you violate any obligations under this Agreement (or otherwise) with respect to a Similar Business, our remedies will include the right to obtain equitable relief, notwithstanding any provisions of this Agreement to the contrary.

## 9. **FEES.**

9.1 **Initial Franchise Fee, Releases, Consistent Franchise Agreements.** On signing this Agreement, you will pay us an initial franchise fee of \$29,500, which is fully earned by us on such signing and is entirely nonrefundable (as are all amounts paid to us and/or any affiliate), except for possible partial or other refund at our sole

option as expressly provided in other Sections of this Agreement. If you are acquiring this Franchise in connection with a transfer of an existing franchise and a full ten year franchise term is awarded by us, then we reserve the right to require a payment from you concurrent with the signing of this Agreement. Such payment shall be calculated by multiplying the Initial Franchise Fee by the percentage representing the difference between the full ten year term and the remaining term of the franchise agreement that previously covered the Relax The Back Store you acquired. By way of illustration, if four years of the initial term of a transferring franchise are remaining at the time of transfer, and if a new ten year term is awarded by us, then we reserve the right to charge the pro-rated fee, which shall be 40% of the Initial Franchise Fee. Any such fee is in addition to any transfer fees owed in connection with such transfer.

Notwithstanding the foregoing, if this is your second or subsequent Relax The Back Store, you will pay us an initial franchise fee of \$5,000 due in full upon signing the Franchise Agreement.

If you and/or any of your owners and/or affiliates have had a prior business or any other relationship with us and/or any of our affiliates then the execution of this Agreement by you and us will constitute:

- i) a release of any and all claims, known or unknown, which you (and any affiliate/owner of you) may have against us and/or any of the Franchisor-Related Persons/Entities (including any and all claims related in any way to any franchise currently, or in the past, in which you or any affiliate/owner of yours holds, or has held, any interest), excepting only (where expressly so required by applicable law) those claims solely related to the offer and sale of this Franchise; and
- ii) a release of any and all claims of ours against you and/or any affiliate/owner of yours which exist as of the time of the execution of this Agreement and are known by us, except that any such claims will be preserved by us if they are related to the offer and sale of this Franchise and/or are disclosed to you by us in writing.

You (and each affiliate of yours, together with each owner of you and/or your affiliates, if a business entity) will, as a condition to the awarding of any future, successor or other franchise execute, in a form prescribed by us, a General Release, excepting only (where expressly so required by applicable law) those claims solely related to the offer and sale of the new Franchise. If we fail to require such separate release(s) at any time, the execution of this Agreement, and each Franchise Agreement after this one, will be regarded as the equivalent of the granting of such releases.

**9.2 Royalty, Payment Dates.** As set forth herein, every month (or otherwise as we require from time-to-time in our Business Judgment), you will pay us a continuing royalty fee (“Continuing Royalty Fee”) calculated based on your Adjusted Gross Sales received or earned during the preceding month. “Adjusted Gross Sales” is defined in Section 9.3, below. The Continuing Royalty Fee must be paid to us by the 10th day after each month for the preceding month, commencing with the first month in which your Relax The Back Store begins operations.

If you are signing this Agreement for your first Relax the Back Store in our franchise system: (1) during the first 12 months of your operation, you will not pay any Continuing Royalty Fee; (2) from the 13<sup>th</sup> month through the 24<sup>th</sup> month of operations, your Continuing Royalty Fee will be five percent (5%) of your Adjusted Gross Sales; and (3) beginning with the 25<sup>th</sup> month of operations, and for the remainder of the term of this Agreement, the Continuing Royalty Fee will be the greater of five percent (5%) of your Adjusted Gross Sales or \$1,875.00 per month.

If you are signing this Agreement for your second or subsequent Relax the Back Store in our franchise system, (1) during the first 12 months of your operation, your Continuing Royalty Fee will be three percent (3%) of your Adjusted Gross Sales up to your first \$500,000 of Adjusted Gross Sales, and thereafter the Continuing Royalty Fee will be four percent (4%) of your Adjusted Gross Sales for the remainder of the first 12 months of operation; (2) from the 13<sup>th</sup> month through the 24<sup>th</sup> month of operations, your Continuing Royalty Fee will be four percent (4%) of your Adjusted Gross Sales; and (3) beginning with the 25<sup>th</sup> month of operations, and for the remainder of the term of this Agreement, the Continuing Royalty Fee will be the greater of four percent (4%) of your Adjusted Gross Sales or \$1,875.00 per month. The foregoing rates for second or subsequent Stores are intended to benefit the owners of multiple Relax the Back Stores; therefore, you only qualify for such rates for so long as you continuously operate two or more Relax the Back Stores in compliance with a franchise agreement with us. If you at any time cease to

continuously operate two or more Relax the Back Store(s) in good standing, for any reason, your Continuing Royalty Fee will immediately be owed based on the rates for a “first” Store (above).

For the purposes of this Section, if your Relax the Back Store opens prior on or before the 15<sup>th</sup> of any month, that month will be deemed the first month of your operations, and if your Store opens on or after the 16<sup>th</sup> of any month, that subsequent calendar month will be deemed your first month of operations.

You and we have agreed on the foregoing Continuing Royalty Fee (and the other economic terms of this Agreement) based, in part, on your commitment (and your and our mutual expectation) that you will sell only items supplied by us, an affiliate of ours and/or an approved supplier, and your and our mutual understanding that your failure to do so will not only be a violation of this Agreement but would also adversely affect the core economics of your and our business relationship and would be inconsistent with your and our mutual expectations.

**9.3 “Adjusted Gross Sales.”** Adjusted Gross Sales includes all revenues (except sales tax collected and paid when due to the appropriate taxing authority, delivery fees charged, and actual customer refunds, adjustments and credits) which are, or could be, received or earned by you (and/or any affiliate and/or on/for your behalf or benefit) (1) by, at or with respect to your Relax The Back Store; (2) which relate to the type of goods or services which are or could be provided, sold, rented or otherwise distributed at, through or in association with a Relax The Back Store; (3) with respect to any goods or services which are, or could be, distributed in association with the Marks or the Relax The Back System, or the operation of any Similar Business (but our receipt of any Continuing Royalty Fee with respect to any Similar Business will not constitute approval of your involvement with any Similar Business); and/or (4) with respect to any co-branding activities. You will not divert any business or take any other actions (or fail to take any actions) which would have the effect of reducing the Adjusted Gross Sales and you will use commercially reasonable efforts to maximize Adjusted Gross Sales. All sales and billings, whether collected or not, will be included in Adjusted Gross Sales, with no deduction for credit card or other charges.

**9.4 Alternative Payment Methods.** We may choose in our sole determination to implement alternative methods for payment of Continuing Royalty Fee, advertising/marketing contributions and other amounts due us, including but not limited to an electronic funds transfer program. You agree to participate in any such programs, to comply with any applicable payment procedures and to timely provide such documentation or authorizations as may be required from time to time to accomplish such funds transfer or other program. You agree to sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for any or all amounts due under this Agreement (the “ACH Authorization”). Such ACH Authorization will remain in full force and effect during the term of this Agreement. Our current form of ACH Authorization is attached as Exhibit 9.4, but we may periodically ask you to sign additional documents in connection with authorizing us to debit payments from your account, and you agree to do so promptly upon request. You must ensure that funds are available in your designated account to cover our withdrawals. If there are insufficient funds in your designated account to cover our withdrawals, we may charge you our then-current insufficient funds fee for each instance.

**9.5 Interest on Late Payments.** Any amount owing from Franchisee to Company, if not paid when due, shall bear interest, until paid, at the highest permissible interest rate chargeable under applicable law, but not to exceed 18% per annum.

**9.6 Application of Payments, Set-Offs.** We can apply any payments received from you to any past due or other indebtedness of yours for Continuing Royalty Fee, advertising/marketing contributions, purchases, interest or otherwise in our sole determination, but we will apply your Marketing Fund Contributions only to the Marketing Fund, unless authorized to do otherwise by the FAB. We can set off, from any amounts that may be owed to you, any amount that you owe to us or any Marketing Fund. We can retain any amounts we have received for your account (whether rebates from suppliers or otherwise), as a credit and payment against any amounts that you owe or will owe to us or with respect to any marketing contribution, without notice and at any time.

**9.7 Mandatory Convention Attendance.** Attendance by you at the Relax The Back annual convention (and/or any other meeting where attendance is designated by us as required) is mandatory. We may excuse you from attendance on a meeting-by-meeting basis in our Business Judgment and we will excuse you in the following cases: You or a member of your immediate family is in the hospital or gravely ill, a death in your family, canceled airline flights with no reasonable alternative transportation arrangements being available or a natural disaster making your attendance impossible. If you (and/or your affiliates) own and/or operate more than one Relax The Back Store, we may require at least one management-level individual to attend on behalf of each Store. You will bear all other costs of attendance.

## **10. YOUR RELAX THE BACK STORE — IMAGE AND OPERATION.**

**10.1 System Compliance, Regular Upgrading.** You must always operate your Relax The Back Store in full compliance with the then-current System Standards, as we may modify them in our Business Judgment. In particular, you must promptly comply at your expense with all of our ongoing requirements, standards and operating procedures relating to the operation, appearance, function, cleanliness, products, services, days and hours of operation, and otherwise of a Relax The Back Store (including use of specified equipment, products, services, programs and computer software), and with our other requirements for a Relax The Back Store. You must purchase, use and offer each of (and only) the systems, services, equipment and products designated by us and will use only suppliers specified by us.

Your Relax The Back Store will always be maintained by you in the same first-class condition, and presented to the public with the same features, programs, equipment, decor and otherwise, and offering the same products and services, as new Relax The Back Stores. You will, on request by us and at your sole expense, promptly undertake all changes as are required by us from time-to-time in our Business Judgment, including new equipment, furniture, furnishings, tenant improvements, decor package, interior and exterior signage, compliance with all then-current standards for facility design, software, changing any products and/or services offered, methods of operation and otherwise as we may require to reflect then-current System Standards. We will not require more than once every five (5) years a substantial remodel, refurbishment and/or redecoration of the Premises to comply with then-current System Standards for newly developed Relax The Back Stores, unless such an earlier update recommended by us is considered and approved by the FAB. For purposes of this provision, “substantial” shall mean a remodel, refurbishment and/or redecoration in excess of \$15,000. Any update required by us in connection with a transfer and/or a grant to you of a successor franchise will not be subject to the limitations described in this Section 10.1.

Your Relax The Back Store will not be used for any purposes other than the operation of a Relax The Back Store in full compliance with this Agreement and the Manuals, you will not make any alterations to your Relax The Back Store or other items, or to the appearance of your Relax The Back Store as originally approved by us, or the products and/or services offered by you, without our prior written approval; and you will place or display at your Relax The Back Store, on vehicles, products and otherwise, only (and all of) such signs, logos and advertising materials as are from time-to-time specified by us.

We may choose from time to time to inspect and otherwise evaluate your Relax The Back Store (including, but not limited to, field service visits, customer comment cards and secret shopper reports) for compliance with the System Standards. Your Relax The Back Store will be assigned a System Standards Score in each evaluation category and compared with the average scores in each such category as achieved by all Relax The Back Stores in Good Standing.

**10.2 Designated Equipment, Products, Services and/or Suppliers.** Your Relax The Back Store will purchase, use and offer each of, and only, such types, brands and/or quality of Designated Equipment, Products and Services as we designate and, where we so require, use only suppliers as designated by us. Such suppliers may include, and may be limited to, us and/or companies affiliated with us. We may designate a single supplier or limited number of suppliers, may designate a supplier only as to certain items and may concentrate purchases with one or more suppliers in our sole determination. Specification of a supplier may be conditioned on requirements relating to

frequency of delivery, standards of service, including prompt attention to complaints, as well as payments, contributions or other consideration to us, our affiliates, the Marketing Fund and/or otherwise, and may be temporary, in each case in our Business Judgment. We may, from time-to-time, withhold, condition and/or revoke our approval of particular items or suppliers in our sole determination. You must notify us in writing (and submit to us such information and samples as we request) if you propose to purchase, use or offer any type, brand and/or quality of items that have not been previously specified by us, or if you propose to use any supplier who has not been previously specified by us for the proposed item. We will notify you within a reasonable time whether or not you're authorized to purchase or use the proposed item or to deal with the proposed supplier. You will not make any claims against us with respect to any supplier (and/or our designation and/or supervision of, our relationship with, such supplier or otherwise), and will make any claims with respect to any supplier-related and/or similar matters only against the supplier in question. You will not take any legal or other action against or with respect to any vendors without our prior written consent, which we may grant, condition or deny in our Business Judgment. We will use diligent efforts to assist you in resolving any disputes with suppliers approved and/or designated by us.

We may require that you join, actively participate in, and make all purchases solely through, a Relax The Back purchasing cooperative or other entity designated by us (the "Co-op"). You must promptly pay all amounts due any such entity for purchases, dues or otherwise. The Co-op may adopt its own bylaws, rules, regulations and procedures, which you must follow, but the bylaws, rules, regulations and procedures of such Co-op are subject to consent by us in our Business Judgment. If the Co-op cannot reach agreement on any point, we will make the relevant decision, which will be binding on you. Your failure to timely pay amounts due to, or comply with the bylaws, rules, regulations and procedures of, the Co-op constitutes a material breach of the provisions of this Agreement. We may offset against amounts we owe to you the amount of your unpaid Co-op obligations. We can require each such entity to submit monthly and annual financial statements, and can require that the annual financial statements be audited, all at the expense of such cooperative.

**10.3 Information Security.** You may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card and billing information, biometric or health data, government-issued identification numbers, and credit report information ("Personal Information"). You may gain access to such Personal Information from us, our affiliates, our vendors, or your own operations. During and after the term of this Agreement, you (and if you are conducting business as an Entity, each of your owners) agree to, and to cause your respective current and former employees, representatives, affiliates, successors and assigns to: (1) process, retain, use, collect, and disclose all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (2) assist us with meeting our compliance obligations under all applicable laws and regulations relating to Personal Information, including the guidance and codes of practice issued by industry or regulatory agencies; and (3) promptly notify us of any communication or request from any customer or other data subject to access, correct, delete, opt-out of, or limit activities relating to any Personal Information. If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach. We reserve the right to conduct a data security and privacy audit of your Relax The Back Store and your computer systems at any time, from time to time, to ensure that you are complying with our requirements. All Personal Information to which we have access (other than any Personal Information of your employees and personnel, and/or otherwise designated as restricted by us) will be our Confidential Information. All other Personal Information is your sole responsibility; provided, that in each case you agree to comply with all applicable laws, regulations, orders, and the guidance and codes issued by industry or regulatory agencies applicable to such data that is in your control.

**10.4 Compliance with Laws and Ethical Business Practices.** You must operate your Relax The Back Store in full compliance with all applicable laws, ordinances and regulations, including all licensing requirements. If any applicable laws, ordinances or regulations require you to materially alter the operations of your Relax The Back Store and/or conflict with the requirements we impose as System Standards, you agree to promptly notify us; and if any such laws, ordinances or regulations are lifted, you agree to promptly begin to operate your Relax The Back Store

in full compliance with our System Standards. We make no representations or assurances as to what (if any) licenses, permits, authorizations or otherwise may be required in connection with your establishment or operation of your Relax The Back Store and it is your sole responsibility to determine what licenses, permits, authorizations or otherwise are required and to obtain them, all at your sole cost. You must also comply with all payment card industry (“PCI”) Data Security standards. All advertising by you will be completely factual, in good taste, and will conform to high standards of ethical advertising. You will, in all dealings with your customers, suppliers and public officials, adhere to high standards of honesty, integrity, fair dealing and ethical conduct. You must refrain from any practice which may injure the goodwill associated with the Marks. You must notify us in writing within five days of the commencement of any action, suit, audit, investigation, or similar proceeding by any person or governmental authority that is pending or threatened against you, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which relates to, or which may affect the operation or financial condition of, you and/or your Relax The Back Store.

**10.5 Management and Personnel of Your Relax The Back Store, Training.** Your Relax The Back Store must be personally managed on a full-time basis by a person who has successfully completed all training required by us and who meets all of our other then-current standards. Training for two persons is included in the initial franchise fee but you will be responsible for all travel, meals, lodging and similar costs for all persons attending training. We may charge a reasonable fee for training of subsequent managers and/or other supervisory personnel, unless otherwise expressly agreed by us in writing. You will keep us advised of the identities of the manager and other supervisors of your Relax The Back Store, and we will have the right to deal with the manager on matters pertaining to day-to-day operations of, and reporting requirements for, your Relax The Back Store. We reserve the right to require that each manager and other supervisors meet our then-current standards and sign confidentiality, non-competition and other agreements acceptable to us. You must hire all employees of your Relax The Back Store and will be solely responsible for their supervision, possible termination, terms of employment and compensation and proper training. You must establish and maintain at your Relax The Back Store an ongoing training program, meeting our standards, for new and continuing employees. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from you to us. You alone are responsible for hiring, firing, training, setting hours for and supervising all employees.

**10.6 Insurance.** You must maintain in force policies of insurance issued by carriers reasonably approved by us covering various risks, as reasonably specified by us from time-to-time, including (but not limited to): (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, your Relax The Back Store, with minimum amounts of \$1,000,000 combined single limit coverage and a \$2,000,000 aggregate, and (for Stores with annual Adjusted Gross Sales of \$1,000,000 or more), supplemental “umbrella” coverage of an additional \$1,000,000; and (2) all risk property and casualty insurance for the replacement value of your Relax The Back Store and all associated items (including, but not limited to, leasehold improvements, furniture, fixtures, equipment, signs, inventory, supplies, and materials) and (3) business interruption insurance providing for continued payment of all amounts due (or to become due) us or any affiliate of ours under this Agreement. We may reasonably specify the types and amounts of coverage required under such policies and require different and/or additional kinds of insurance and/or minimum coverage amounts and/or waive any required coverage at any time. Each insurance policy must name us, our then-current affiliates and any successors and assigns as additional insureds, will contain a waiver of all subrogation rights against us, our then-current affiliates, and any successors and assigns, and will provide for thirty (30) days’ prior written notice to us of any material modifications, cancellation, or expiration of such policies. Your obligations to maintain insurance coverage will not be affected by reason of any separate insurance maintained by us, nor will the maintenance of such insurance relieve you of any obligations under this Agreement or otherwise.

Prior to the expiration of the term of each insurance policy, you must provide us (1) a copy of each renewal or replacement insurance policy to be maintained by you for the immediately following term and (2) evidence of prepayment of the premium. If you fail to maintain required insurance coverage, or to furnish satisfactory evidence thereof and of payment of premiums, we may obtain such insurance coverage on your behalf and you must fully cooperate with us in our efforts to obtain such insurance policies, promptly execute all forms or instruments required, allow any

required inspections of your Relax The Back Store, and pay to us, on demand, any costs and premiums incurred by us.

**10.7 Program Participation.** We may condition your participation in any program, whether with suppliers, referral sources or otherwise (including, but not limited to, any program involving payments from third parties), as we determine in our Business Judgment, including our requiring you to be in compliance with such standards and qualifications as we designate and/or you not being in default, or under notice of default, under any obligation to us and/or any of the Franchisor-Related Persons/Entities.

**10.8 Relocation/Continued Royalties.** If any closure of your Relax The Back Store takes place for any reason, you will immediately notify us, submit a plan for re-opening (with discussion of budget, deadlines, possible relocation and subject to our reasonable approval) and diligently take (at your expense) all steps necessary to fully re-open your Relax The Back Store for business as soon as possible. Your financial obligations to us and/or any affiliate will remain in full force and effect during any such closure (subject to the exclusions contained in any applicable business interruption policy coverage), and we reserve the right to collect any amounts due, or to become due, to us or any such affiliate, including those calculated upon Adjusted Gross Sales. During any closure, monthly Adjusted Gross Sales will be assumed to be the average monthly Adjusted Gross Sales during the 12 month period (or shorter period if your Relax The Back Store was not open for such 12 month period) prior to such closure.

**10.9 800 Number; Secret Shoppers.** We may institute various programs at our cost for verifying customer satisfaction and/or your compliance with all operational and other aspects of the Relax The Back System, including (but not limited to) an 800 number, customer comment cards, secret shoppers, “phone phantom” or otherwise. We will share the results of such programs, as they pertain to your Relax The Back Store, with you.

**10.10 Core Inventory Requirement.** You are required to open and maintain your Store with a minimum inventory of Core Inventory Products identified by us and obtained by you from designated suppliers of ours. We reserve the right to change the number and type of Core Inventory Products required to fulfill this requirement to meet changes in consumer preferences and demand, Product availability, and other market factors, etc.

## **11. MARKETING.**

**11.1 Marketing Fund.** We have instituted an advertising, publicity, and marketing fund (the “Marketing Fund”) for such advertising, advertising-related, marketing and/or public relations programs, services and/or materials as we deem necessary or appropriate to promote current and/or future Relax The Back Stores. You must contribute to the Marketing Fund 2% of Adjusted Gross Sales. However, if during any calendar year your Adjusted Gross Sales exceeds \$1,500,000 then for the balance of such calendar year your Marketing Fund contributions shall be 1% of the amount of Adjusted Gross Sales in excess of such \$1,500,000. Such advertising/marketing contributions will be calculated and payable at the same time and in the same manner as the Continuing Royalty Fee. Contributions to the Marketing Fund made by any supplier or otherwise, whether made with respect to purchases by you or otherwise, will not count toward your required contributions to the Marketing Fund, any cooperative or otherwise. We will cause all Relax The Back Stores owned by us to make contributions to the Marketing Fund as if they were subject to our then-current form of Franchise Agreement. You understand that some Relax The Back Franchisees may have different Marketing Fund and/or other obligations than in this Agreement. Funds in the Marketing Fund must be expended, prior to termination of the Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s). No profit, gain or other benefit will directly accrue to us from the Marketing Fund.

We shall have sole determination over all matters of any kind or nature that relate to the Marketing Fund consistent with its purposes, the provisions of this Agreement and with due consideration to FAB when required by this Agreement. Such matters may include (but are not limited to) the Fund’s management, all financial matters, expenditures, receipts and/or investments, timing of expenditures, creative concepts, content, materials and endorsements for any marketing programs, together with the geographic, market, and media placement and allocation thereof. The Marketing Fund may be used for the benefit of the Relax The Back brand to (among other things) pay costs of marketing programs (including public relations), “brand/image advertising” and other marketing program, in-

store and truck signage, preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, administering our website, purchasing media, administrative costs, employing advertising, public relations and other agencies and firms; and supporting public relations, market research and such other advertising and marketing activities to promote current and/or future Stores and the Brand, as well as any reasonable expenses associated with any FAB or other franchisee advisory group meetings and activities as approved by us in our Business Judgment. A brief statement regarding the availability of information regarding the purchase of Relax The Back franchises may be included in advertising and other items produced and/or distributed using the Marketing Fund.

We may seek approval from the FAB prior to arranging for goods, services, materials, etc. (including administrative services), related to the purposes and activities of the Marketing Fund, to be provided to the Marketing Fund by ourselves and/or any affiliated persons/companies, including persons/entities who may be owned, operated, controlled by, and/or affiliated with, us (such as an “in-house advertising agency”). We may use the Marketing Fund to compensate and reimburse any of such persons/entities (including ourselves) as we deem appropriate (including payment of commissions) and to compensate ourselves and/or others for administrative and other services, materials, etc. rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us must be reasonable in amount. We can arrange without FAB approval for goods, services, materials, etc. (including administrative services), related to the purposes and activities of the Marketing Fund, to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund, but we may seek input from the FAB prior to hiring any such person/company for products/services reasonably anticipated to cost more than \$10,000.

You will participate in all marketing programs instituted by the Marketing Fund or us but will retain full freedom to set your own prices, except that we may, to the greatest degree permitted by law, specify minimum and/or maximum prices above which you will not provide any goods or services. You will fully honor all coupons, price reduction and other promotions/programs as directed by us. The Marketing Fund may furnish you with copies of marketing, advertising and promotional materials and you will pay the cost of producing/distributing actual items (TV commercials, video content, newspaper advertisements, radio ads, etc.) to be used by you plus shipping and handling. We may, in our Business Judgment, use the Marketing Fund to share with a co-advertiser a reasonable portion of the costs of advertising, marketing and/or public relations programs, services and/or materials with respect to any co-branding, dual franchising or other co-sponsored programs reasonably related to the Relax The Back brand.

The Marketing Fund will be accounted for separately from our other funds. All taxes (including, but not limited to, gross receipts, income, value added and/or sales taxes) incurred in connection with or related to the Marketing Fund, whether imposed on us, the Marketing Fund or otherwise, will be the sole responsibility of the Marketing Fund, and we will be reimbursed by the Marketing Fund for any such taxes paid by us.

The Marketing Fund will not be used to defray any of our general operating expenses, except for such salaries, administrative costs, overhead and other expenses as we may incur in activities related to the Marketing Fund and its programs and purposes (including conducting market research, preparing and placing advertising, insurance, legal costs and collecting and accounting for the Marketing Fund). We may charge the Marketing Fund for a pro rata share of the reasonable salary and benefits of the Relax The Back marketing and/or other personnel, based on time spent working on matters related to the Marketing Fund. In addition, we may charge the Marketing Fund for reasonable attorneys’ fees and other costs: (1) related in any way to our defense of any claims against us and any of the Franchisor-Related Persons/Entities regarding the Marketing Fund, and (2) with respect to collecting amounts owed to the Marketing Fund; provided that if we substantially prevail in any such matters or our actions/non-actions were approved by the FAB then all attorneys’ fees and other costs shall be reimbursed by the Marketing Fund. However, we shall be required to reimburse the Marketing Fund for any attorneys’ fees and costs paid by the Marketing Fund in connection with any action in which we are finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Marketing Fund.

We may, in our Business Judgment, spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year and the Marketing Fund may borrow from us or other lenders to cover

deficits of the Marketing Fund or cause the Marketing Fund to invest any surplus for future use by the Marketing Fund. In making expenditures, the Marketing Fund will first spend any contributions made by any supplier; second, any earnings on assets held by the Marketing Fund; third, any contributions made by us; and finally any contributions made by Franchisees. We can collect for remission to the Marketing Fund any advertising or promotional amounts offered by any supplier based upon purchases by you. All interest, etc. earned on monies contributed to, or held in, the Marketing Fund will be contributed to the Marketing Fund.

We may provide the FAB with the opportunity to review and give input regarding the annual Marketing Fund budget and plan. While we are not required to seek the approval of the FAB in connection with any matter relating to such plan or budget, any approval of a matter by a majority vote of the FAB binds you. Financial statements of the Marketing Fund will be prepared by us and furnished to the FAB upon request. We may elect to produce audited Marketing Fund financial statements, in which case any related costs will be paid by the Marketing Fund and we will distribute a copy of such audited statements to all franchisees obligated to pay Marketing Fund contributions under their respective franchise agreement.

We can cause the Marketing Fund to be incorporated or operated through an entity separate from us. Any such entity will have all rights and duties of ours relating to the Marketing Fund. The Marketing Fund may be combined with any marketing fund otherwise established for Relax The Back Stores and the funds merged for use in accordance with this Agreement, so long as the restrictions of the relevant Franchise Agreement(s) continue to apply to contributions made by Franchisees under such agreements.

We may (but are not required to) revise marketing and other programs, and/or make separate expenditures from the Marketing Fund, to take account of cultural or other differences (and/or we may delegate management of a portion of the Marketing Fund in connection therewith). We can defer, waive and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing Fund, and/or waive on a case by case basis any future contributions, using the Marketing Fund to pay any such claims and related legal and other costs. We may or may not take legal or other action against any Franchisee who is in default of their obligations with respect to the Marketing Fund and determine whether a Franchisee may be allowed to make direct advertising expenditures in place of contributions to the Marketing Fund.

We have no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to contributions to the Marketing Fund by Relax The Back Stores operating in any geographic area or that any Relax The Back Store will benefit directly, indirectly and/or in proportion to its contributions to the Marketing Fund. We have no obligation to cause other Relax The Back Stores, licensees or outlets (some of which may be under different arrangements) to contribute to the Marketing Fund, any cooperative or engage in local marketing.

You agree that we and the FAB (and each of the Franchisor-Related Persons/Entities):

- i) will not have any direct or indirect liability or obligation to you, the Marketing Fund or otherwise with respect to the management or otherwise of the Marketing Fund;
- ii) will not be liable for any act or omission, whether with respect to the Marketing Fund or otherwise, which is consistent with this Agreement or other information provided to you, or which is done in subjective good faith, or which is the result of the exercise of our Business Judgment; and
- iii) provided that neither i) nor ii), above, shall apply to the extent that we, the FAB (and/or any of the Franchisor-Related Persons/Entities) are finally found to have committed an intentional misrepresentation in connection with Marketing Fund-related activities.

Your and our rights and obligations, whether with respect to the Marketing Fund or otherwise, are governed solely by the express terms of this Agreement and this Agreement (and all rights and obligations with respect to the Marketing Fund) is not in the nature of a “trust,” “fiduciary relationship” or similar special arrangement, you and we expressly disavowing any such or similar relationships. We may maintain Marketing Fund assets in one or more accounts designated as “trust accounts” (or similarly designated), for purposes of protecting such assets from claims

of third-party creditors, but that will not create any “trust,” “fiduciary relationship” or similar special arrangement. You agree that absent the provisions of this Section, we would not be willing to institute or manage the Marketing Fund.

Subject to the express requirements of this Agreement that your contributions will only be spent as authorized herein, if you are in default of any of your obligations to us, the Franchisor-Related Persons/Entities and/or the Marketing Fund, or your Franchise Agreement is otherwise subject to termination, you will have no rights, and we will have no obligations to you, under the Marketing Fund (and/or related) provisions of this Agreement. We may deny access to any and all programs and/or materials created by, and benefits of, the Marketing Fund to Franchisees who are in default in any obligations to the Marketing Fund.

**11.2 Local Store Marketing.** Beginning during the month in which your first payment of the Continuing Royalty Fee is due and continuing during each month thereafter for the full term of this Agreement, you will spend for local advertising and promotion of your Relax The Back Store (including paid online search, direct mail programs, and online directory listings and advertising, but excluding discounts, coupon redemptions, and the cost of products or services given without charge) not less than 4% of Adjusted Gross Sales each month. You will submit, in a form and at times prescribed by us, verification of your expenditures for local advertising and promotion for such period and of the types of marketing activities conducted by you.

Prior to their use by you, samples of all advertising and promotional materials and programs (including any use of or distribution of material through any Online Presence) not prepared or previously approved by us must be submitted to us, in the form and manner prescribed by us from time-to-time, for our review and consent, which we may grant, withhold or condition as we see fit. If written disapproval is not received by you within fifteen (15) days from the date of receipt by us of such materials, we will be deemed to have given the required consent but we can later retract any consent (whether express or as a result of such failure to respond) by notice to you. You won't use any advertising or promotional materials or programs that we have disapproved or that does not include the copyright, trademark and other notices required by us. We can require that a brief statement regarding the availability of information regarding the purchase of Relax The Back franchises may be included in all advertising used by you and that a brochure regarding purchase of Relax The Back franchises be placed in a prominent location in your Relax The Back Store.

All use of Online Presences by you in connection with your Relax The Back Store will be as specified by us from time-to-time in our sole determination, whether in the Manuals or otherwise. Among other things, we may not permit you to advertise/market through any Online Presence; or we may reasonably require that all use be through us, using supplier or provider selected by us (or which can be us or an affiliate) and that all pages be accessed only through our “home” or other page and meet our design and other specifications, including a possible requirement that any Online Presence of yours refer to a Relax The Back Online Presence that we designate. We own and have the right to control all Online Presences used in connection with your Traditional Relax The Back Store. You must comply with all policies and procedures that we specify related to your use of current and future forms of Online Presence or other similar electronic formats.

**11.3 Advertising Co-op(s).** We may, in our Business Judgment, establish and/or recognize one or more cooperative associations and/or sub-associations of Relax The Back franchisees covering territories that include your Relax The Back Store. Each such association may adopt bylaws and/or other governing documents, which are subject to our approval in our Business Judgment. We may require that you join the applicable local and/or national association and/or contribute to all such association the amounts determined from time-to-time by the applicable association and/or or comply with the rules, regulations and procedures of any association of which you are a member. Each association may adopt its own rules, regulations and procedures, but the rules, regulations and procedures of each association are subject to consent by us in our Business Judgment, and we are not bound by them. If an association cannot agree on any point, we will make the relevant decision. We may deem your failure to timely contribute the amounts required by an association to constitute a material breach of the provisions of this Agreement. We may offset against amounts we owe to you the amount of your unpaid association contributions. We can require each such

association to submit monthly and annual financial statements, and can require that the annual financial statements be audited at our expense.

## **12. STORE RECORDS AND REPORTING.**

**12.1 Bookkeeping, Accounting and Records, Cash Register, Computer and Other Systems.** You must establish and maintain at your own expense a bookkeeping, accounting (including our standard chart of accounts), recordkeeping, and records retention system conforming to requirements reasonably prescribed by us from time-to-time. Each transaction related to your Relax The Back Store will be processed on a computer system (including hardware and software) as prescribed by, and fully accessible to, us. You will participate in our then-current reporting system covering sales and other items. You will continuously use, maintain and update, at your sole expense, electronic cash register, computer and other systems (including point-of-sale systems) and software programs which meet such specifications as we reasonably designate, from time-to-time and in our Business Judgment and subject to the provisions of Section 4, above. In some cases, such systems and programs may include software or other components only available from us, our affiliates and/or suppliers approved by us.

We reserve the right to have full access to all electronic cash register, computer and other systems and the information and data contained therein and to retrieve, analyze, download and use the software and all data contained therein (as well as any other information reported to us) at any time during business hours and as we determine in our sole determination, subject only to any limitations described elsewhere in this Agreement. You will promptly and fully pay all amounts charged by any supplier or licensor of the systems and programs used by you, including charges for use, maintenance, support and/or update of these systems or programs. We may charge a reasonable fee for the license, modification, maintenance or support of proprietary software that we may license to you and other goods and services that we or any affiliates furnish to you related to the cash register, computer and other systems.

**12.2 Reports, Financial Statements and Tax Returns.** You will provide to us such information regarding the operation of your Relax The Back Store, and in such forms and formats, as we reasonably specify from time-to-time, including by faxed or mailed copies of reports or documents; through direct, on-line access to your cash register, computer and other systems; by delivering data through our intranet site; or through other means as reasonably designated by us.

Our current information requirements (which we may reasonably expand or otherwise change from time-to-time in our Business Judgment) are as follows:

1) within 10 days after the end of each month (or otherwise as we require from time-to-time) a report of Adjusted Gross Sales, net sales, product costs, labor costs, inventory activity and copies of the recap for the preceding week via the intranet site, together with copies of such other information and supporting records as we reasonably designate;

2) within 30 days after the end of each fiscal quarter (or otherwise as reasonably determined by us), a period profit and loss statement and a balance sheet for your Relax The Back Store, together with a report showing amounts spent by you for local advertising and promotions (with detail of how spent, including samples) during the preceding period, in each case prepared, verified and signed by you;

3) within 45 days after the end of each fiscal year, an unaudited fiscal year-end balance sheet, income statement reflecting all year-end adjustments and statement of changes in financial position, in each case for your Relax The Back Store, prepared in accordance with generally accepted accounting principles consistently applied, and verified and signed by you;

4) within 30 days after such returns are filed, exact copies of your Relax The Back Store's state sales tax returns and those portions of your income tax returns relating to your Relax The Back Store; and

5) on request by us, such other data, information, and supporting records for such periods as we from time-to-time reasonably require. Each report and financial statement submitted by you to us will be certified in writing to be correct and complete and signed by you if a sole proprietorship, by a partner if a partnership, or by an executive officer if a corporation.

You will maintain and furnish to us on a confidential basis and upon, our request, for the term of this Agreement and any successor franchises plus 5 years, complete copies of (a) all records of or relating to your Relax The Back Store, and (b) all income, sales, and other tax returns filed by you reflecting activities of your Relax The Back Store. You hereby waive any privileges with regard to any records and tax returns.

### **13. ANNUAL IN-PERSON REVIEW, INSPECTIONS AND AUDITS.**

**13.1 Annual Review.** If so requested by us, once each year, at a time designated by us, you and your director of operations/manager will meet with our representatives at your Store (or virtually, at our election), for the purpose of discussing and reviewing your Relax The Back Store's operations, status, financial performance and other matters.

**13.2 Our Inspections.** We and/or our agents will have the right, at any time during business hours, and without prior notice to you, to: (1) inspect your Relax The Back Store, the Designated Equipment and other equipment, furniture, fixtures, signs, operating materials, and supplies; (2) observe, photograph, and video tape (or otherwise record) the operations of your Relax The Back Store for such periods as we deem necessary in our Business Judgment; (3) remove samples of any items for testing and analysis; (4) interview personnel of your Relax The Back Store; (5) interview customers of your Relax The Back Store; (6) inspect, and/or conduct, supervise or observe a physical count of, the inventory and assets of your Relax The Back Store; (7) inspect your computer system (including point-of-sale, back-office and other systems), including hardware, software, security, configurations, connectivity, and data access (other than any electronic devices of your personnel used principally for personal reasons); and (8) inspect and copy any books, records, documents or otherwise relating to your Relax The Back Store. You will cooperate fully with us in connection with such matters. You will present to your customers such evaluation forms as are periodically prescribed by us (but not more than once each calendar year) and will participate and request your customers to participate in any surveys performed by or on behalf of us. Any evaluation or inspection we conduct is not intended to exercise, and does not constitute, control over your day-to-day operation of the Business or to assume any responsibility for your obligations under this Agreement. If any follow-up visit or inspection is necessary because one or more failures of System Standards at your Relax The Back Store, and/or we or our agents were for any reason prevented from properly inspecting any or all of your Relax The Back Store (including because you or your personnel refuse entry to your Relax The Back Store) you must reimburse all costs (including supplier fees, travel expenses, and compensation of our agents) associated with any re-inspection or follow-up visits

**13.3 Audit and Inspection.** We (and our designees) will have the right at any time during business hours, and without prior notice to you, to inspect and audit the properties, assets, premises, business records, bookkeeping and accounting records, sales and income tax records and returns (you waiving all privileges with respect thereto), cash register tapes, invoices, payroll records, check stubs and bank deposit receipts, computer files and other records of, and relating in any way to, your Relax The Back Store and the books and records of any person(s), corporation or partnership which holds, or affiliates of yours which do business with, the Franchise. You will fully cooperate with our representatives and independent accountants and attorneys hired by us to conduct any such inspection or audit. Our right to audit includes the right to access all cash registers, computers and other equipment by electronic means. If any inspection or audit discloses an understatement of Adjusted Gross Sales, you will pay to us, within five days after receipt of the inspection or audit report, the Continuing Royalty Fee and advertising/marketing contributions due on the amount of such understatement, plus interest (at the rate and on the terms provided herein) from the date originally due until the date of payment. If any inspection or audit is made necessary by your failure to furnish reports, supporting records, other information or financial statements, or to furnish reports, records, information or financial statements on a timely basis, or if an understatement of Adjusted Gross Sales for any period is determined by any audit or inspection to be greater than 2%, you will reimburse us for the cost of the inspection or audit, including, without limitation, the charges of any independent accountants, and the reasonable travel expenses, room and board

and applicable per diem charges for our and their employees. Should any audit reveal an intentional understatement of Adjusted Gross Sales for any period in any amount, or an understatement (whether intentional or not) of Adjusted Gross Sales for any period to be greater than 10%, we may terminate all of your rights, and our obligations, hereunder, in addition to exercising any other remedies we may have. These remedies are in addition to all other remedies and rights of ours hereunder or under applicable law, including termination.

#### **14. TRANSFER.**

**14.1 Transfers by Us.** This Agreement, and any and/or all of our rights and/or obligations under it, are fully transferable by us in our sole determination and will inure to the benefit of any person or entity to whom we transfer it, or to any other legal successor to our interest in this Agreement, provided that no such transfer will materially alter your rights under this Agreement and further provided that any such transferee shall appear at the time of the transfer to have financial resources reasonably appropriate to fulfill its obligations under this Agreement. For the purposes of this Section 14.1, we shall be entitled to rely upon audited financial statements provided to us by the transferee. We will seek Input from the FAB on such financial statements. If any or all of our obligations under this Agreement are assumed by a third party, then, as to such assumed obligation(s), all past, current and future obligations of ours to you (and of any of the Franchisor-Related Persons/Entities) will cease and be forever extinguished. We may be sold and/or we may sell any or all of our intellectual property and/or other assets (including the Marks) to a competitive or other entity, we may go public, may engage in a private or other placement of some or all of our securities, may merge, acquire other entities and/or assets (competitive or not), be acquired by a competitive or other entity, and/or may undertake any refinancing, leveraged buy-out and/or other transaction. You waive any and all claims, demands and/or damages with respect to any transaction or otherwise allowed under this Section.

**14.2 Transfers by You.** The rights and duties created by this Agreement are personal to you (or your owners if the Franchisee is a partnership or corporation) and we have awarded the Franchise to you relying on the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you or such owners. Accordingly, no ownership interest of 20% or more in this Agreement, the Franchise, the Franchisee or your Relax The Back Store (or assets associated with any of the foregoing), may be transferred without our prior written consent. We will not unreasonably withhold, delay or condition our consent to any proposed transfer, provided that nothing herein shall be construed to diminish in any way our rights or your obligations in connection with a transfer and/or compliance with the provisions of this Section 14. Any such transfer (or attempted transfer) without such consent will constitute a breach hereof and convey no rights to, or interests in, this Agreement, the Franchise, the Franchisee, your Relax The Back Store, such assets or otherwise. A series of related transactions resulting in a transfer of combined interests of 20% or more also shall require such written consent. You shall provide us with prompt written notice of any transfer of less than 20%.

The term “transfer” includes (but is not limited to); any voluntary, involuntary, partial or whole, direct or indirect assignment, sale, gift, pledge, mortgage of, or any granting of any security or other interest (whether or not controlling) in: (1) this Agreement; (2) the Franchise; (3) the ownership of the Franchisee; (4) your Relax The Back Store; or (5) any assets associated with any of the foregoing. A transfer also includes (but is not limited to) the following events: (1) any transfer of ownership of capital stock or any partnership or similar interest; (2) any merger or consolidation or issuance of additional securities representing an ownership interest in the Franchisee; (3) any sale of voting stock of the Franchisee or any security convertible to voting stock of the Franchisee; (4) any transfer in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (5) any transfer of any interest in any revenues, profits, rights or assets of your Relax The Back Store and which is not in the ordinary course of business; or (6) any transfer to a business entity and/or a trust or similar entity; or (7) the creation or otherwise of any security or similar interest affecting any of the foregoing. Any transfer by the Franchisee (or any of your owners) to a corporation and/or of any interest in the event of your death or the death of an owner of the Franchisee, by will, declaration of or transfer in or to trust, under the laws of intestate succession, or otherwise will be governed by all of the provisions on transfer of this Agreement. We may, in our sole determination, deny approval to any transfer involving a portion of your Franchise (for example, but not limited to, a portion of any territory) and/or a portion of any of the foregoing items and/or interests.

**14.3 Conditions for Approval of Any Transfer by Franchisee.** If we consent to any transfer (we having no obligation to do so), such transfer will be subject to all of the conditions specified below and anywhere else in this Agreement (each of which you and we agree are reasonable), together with such other terms and conditions as are reasonable in the specific circumstances of the proposed transfer. Among other things, we may refuse consent to any transfer if, in our Business Judgment, the proposed transferee is, has been or will be associated with a Similar Business or if they do not meet our then-current financial, experience and other standards for issuance of an Relax The Back Franchise directly by us. A transfer of ownership, possession or control of your Relax The Back Store or any of its assets may only be made in conjunction with a transfer of the Franchise.

In any case, all of the following conditions must be met prior to, or concurrently with, the effective date of any transfer unless we require you to meet them earlier:

1) This Agreement must not be subject to termination by us, and you must be in full compliance with this Agreement and all other agreements between you (including any affiliate) and us (including any affiliate), as well as all real estate leases/subleases with any third parties.

2) You must provide us all information or documents we requested about the proposed transfer, the transferee, and its owners and managers;

3) The transferee and its owners must have sufficient business experience, aptitude and financial resources to operate your Relax The Back Store, must be individuals of good moral character and must meet all financial and other standards then-applied by us in evaluating prospects to whom we might award a Relax The Back Store franchise in the then-current business and competitive environment;

4) You must pay all Continuing Royalty Fees, advertising fund/marketing contributions, and other amounts owed by you (including any entity affiliated with and/or related to you) to us (including any entity affiliated with and/or related to us) which are then unpaid (the balances of all promissory notes and other unpaid amounts owed to us and/or any affiliates of ours shall be accelerated and paid in full), all obligations to third parties arising out of the operation of your Relax The Back Store must be satisfied or assumed by the transferee;

5) Your Relax The Back Store and its operations must have been brought into full compliance as we may require to reflect the then-current standards and image of the System, all at your (or the transferee's) sole expense;

6) You must submit all required reports, financial statements and other documents due us up to the effective date of the transfer;

7) The transferee and its personnel must (at our option) complete or agree to complete our training program to our satisfaction;

8) The transferee must obtain, within the time limits set by us, and maintain thereafter, all permits, licenses and insurance required for the operation of the franchised business;

9) You and the transferor(s) must remain liable for all obligations to us and our affiliates in connection with the Franchised Business prior to and through the effective date of the transfer and shall execute any and all instruments reasonably required by us to evidence such liability. If we notify you that we do not consent to a transfer based on the transferee's financial condition, and you request that we reconsider granting consent, we may elect to do so; provided that we may then impose, as an additional condition to transfer, the requirement that you and the transferors remain liable to us and our affiliates for all obligations in connection with the franchised business for a period of twenty four months after the effective date of transfer. In such an event, and if you and the transferors have complied with the provisions of this subsection, then such obligations will be discontinued upon the execution and exchange of the releases described in Subsection 14.3 (13), below.

10) To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;

11) The transferee must assume all of your duties and obligations (including all obligations of any affiliate of yours) to us (and any affiliate of ours) and, at our option, (a) agree to be bound by all terms and conditions of this Agreement (and any lease/sublease) for the remainder of its term or (b) execute our then-current form of franchise agreement and ancillary documents (including lease/subleases and guarantees) as are then customarily used by us in the award of franchises for Relax The Back Stores (which may, among other things, provide for higher royalties, advertising fund/marketing contributions and materially different rights and obligations than are provided in this Agreement and may not include the terms of any amendments or addenda to this Agreement) provided, however, that the term thereof may not be greater than the remaining term of this Agreement and no initial franchise fee will be required (in our sole determination, we may require the transferee to sign a Franchise Agreement and other documents for the full term then being offered and pay the pro-rated initial fee as provided in Section 9, above.) However, if the transferee is a member of the Immediate Family and has been managing the operations of the Store to be transferred for a period of at least two years prior to the proposed date of transfer, then we will not require such transferee to sign our then-current form of franchise agreement until the expiration of the initial term of this Agreement;

12) You or the transferee must pay us a transfer fee of \$7,500. Such fee must be deposited with us on your notification to us of the proposed transfer and prior to our undertaking any review, drafting of documents or other activities. Such fee is refundable as provided in Section 14.3 (18), below, or if we exercise our Right of First Refusal as provided in Section 14.7, below. In any event, no such fee shall be payable if the transferee is a member of the Immediate Family, meets our then current requirements for new franchisees and has managed the operations of the Store to be transferred for a period of not less than two years prior to the proposed transfer. We will not be required to provide training to such a transferee, but may require their completion of a standard or modified training program, for which a reasonable training fee may be charged by us;

13) You and each of your owners and/or affiliates and the transferee (and each owner and/or affiliate of the transferee) must execute a General Release in our then current form, excepting only (in the case of the transferee and then only where so required by applicable law) those claims solely related to the offer and sale of the new Franchise to the transferee. We shall at the time of transfer release any and all claims of ours against you and/or any affiliate/owner of yours arising out of or relating to this Franchise Agreement (and no other agreement) and which exist as of the time of the execution of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing. However, no release will be required of us or of you, your owners and/or affiliates at the time of transfer if you are required to remain liable for the obligations of the Franchisee after the effective date of transfer in accordance with Section 14.3 (9), above. In such an event, the releases contemplated in this Section 14.3 (13) will be provided by the applicable persons/entities as a condition to the elimination of your obligations under 14.3 (9) above.

14) If you or your owners finance any part of the sale price of the transferred interest or obtains any security interest in the Franchise, the franchised business (or any of its assets) or otherwise, you and your owners (and the transferee) must agree that all obligations of the transferee under or pursuant to any promissory notes, agreements, security interests reserved and/or held by you or your owners, or otherwise will be subordinate to the obligations of the transferee to pay royalties, advertising fund/marketing contributions, and other amounts due and/or to become due to us and/or any affiliate of ours and otherwise to comply with this Agreement, the franchise agreement and all other agreements executed or to be executed by the transferee; provided that we may refuse to allow you or anyone else to grant or receive a pledge, mortgage, lien or any security or similar interest in and/or to the Franchise or the Franchised Business (or any of its assets) if, after having expended commercially reasonable efforts in discussions with lenders or other applicable parties, we are unable in our Business Judgment to obtain appropriate protections for our rights under this Agreement and/or for Relax The Back System interests;

15) Notwithstanding any transfer, your non-competition, indemnity and confidentiality obligations, and the provisions relating to dispute resolution (which include, but are not limited to, all of those of Section 19), as well as those of Section 21 of this Agreement will survive any transfer;

16) The transferee must obtain from you an agreement that, to the maximum extent permitted by law, you will not, for a period of at least three years following the transfer, either directly or indirectly, or as owner, partner, director, officer, employee, consultant, agent, manager or stockholder, disclosed or undisclosed owner, officer, agent, employee or in any other capacity whatsoever, participate or engage, actively or inactively, in any Similar Business or any other business substantially similar to any business then engaged in by us or any of our Franchisees, and we shall be named as a third-party beneficiary of such agreement.

17) The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises; and

18) In any event, we may reasonably withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise; provided that if we elect not to consent to a transfer, then we will refund to you and/or the prospective transferee, as applicable, the transfer fee, subject to our right to set off as stated in Section 9.6, above.

If we believe, in our Business Judgment, that the terms and/or conditions of any transfer (including, but not limited to, the price and/or terms of payment) or any surrounding circumstances would make the transfer not in the best interests of us, the proposed transferee or the Relax The Back family of Franchisees (for example, if the price to be charged and/or the terms of payment would be so burdensome as to, in our Business Judgment, possibly adversely affect the future operations of a Relax The Back Store by the proposed transferee) we may (but are not required to) refuse to consent to such transfer. If we refuse to grant consent for any reason and our absolute (or other) rights to deny consent are not held to be enforceable, your (and the proposed transferee's) sole remedy will be to have such matter resolved through arbitration and for the arbitrator, if legally required, to order consent to be granted, with no damages or other relief to be awarded. We may (but are not required to) candidly discuss all matters related to any transfer and/or proposed transfer (including our views of the price to be charged, the terms of payment and/or our views of the prospective franchisee's qualifications) with you, any proposed transferee and/or otherwise at any time (including prior to any offer) and will have no liability to you or anyone else regarding such views, discussions or otherwise. In no case will you or any transferee rely on us to review or evaluate any proposed transaction (our examination and possible consent not being an approval or recommendation) and neither we nor anyone else will have any liability to you, any proposed or actual transferee or otherwise in connection with our examination and/or possible consent or withholding of consent, with respect to any transfer and/or proposed transfer or our exercise of any right of ours (including the right to discuss our views with the proposed transferee and/or withhold consent), you agreeing to indemnify and hold us harmless from any liability to you, the proposed transferee or otherwise.

**14.4 Transfer to a Business Entity You Own.** Notwithstanding Section 14.3 above, if you are in full compliance with this Agreement, you may transfer this Agreement to corporation, limited liability company, or general or limited partnership (collectively, an "Entity") which conducts no business other than your Relax The Back Store and, if applicable, other Relax The Back Stores, in which you maintain management control, and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of your Relax The Back Store's assets are owned, and your Relax The Back Store's business is conducted, only by that single Entity. You must reimburse us for any direct costs we incur in connection with document and otherwise processing such a transfer, including reasonable legal fees. The Entity must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur and sign the form of consent to assignment to corporate entity satisfactory to us which may include a general release of any and all claims against us and our owners, officers, directors, employees and agents. You further agree to provide us with all organizational documents for the Entity that we require.

**14.5 Death or Disability of Franchisee.** On your death or permanent disability or, if the Franchisee is a business entity, on the death or permanent disability of the owner of a controlling interest in the Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person will transfer his or her interest in this Agreement and the Franchise, or such interest in the Franchisee, to a third party subject to our consent and all of the provisions of this Agreement with respect to a transfer and possible exercise of our right-of-first-refusal. Such disposition of this Agreement and the Franchise, or such interest in the Franchisee (including, without limitation, transfer by bequest or inheritance), will be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all the terms and conditions applicable to transfers contained in this Agreement. Failure to so transfer the interest in this Agreement and the Franchise, or such interest in the Franchisee, within said period of time will constitute a breach of this Agreement. You shall be deemed to have a "permanent disability" if your personal, active participation in management of your Relax The Back Store is for any reason curtailed for a continuous period of six (6) months. This Section 14.5 is subject to the provisions of 14.3 (11) and (12).

In the event of your death, disability, absence or otherwise, we can (but are not required to) operate the franchised business on your behalf and at your expense for such period of time (and under such terms and conditions) as we determine, including paying out of the assets and/or revenues of the franchised business any or all past, current and/or future obligations of the franchised business (including any amounts owed to us and/or any affiliate) in such priorities as we determine from time-to-time in our Business Judgment. We can pay ourselves a reasonable amount to reimburse us for our management services and other costs. We can obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the franchised business. We will be indemnified by you (and/or your estate) against any costs and/or liabilities incurred by us in connection with, or related in any way to, the operation (or otherwise) of the franchised business.

**14.6 Effect of Consent to Transfer.** Our consent to a transfer, or failure to exercise any right-of-first-refusal, will not constitute a waiver of any claims we may have against you (or your owners), nor will it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of this Agreement or any other agreement by any transferor or transferee. Unless we expressly release you from your obligations under this Agreement, you will remain and be liable under this Agreement and in accordance with the provisions of Subsections 14.3 (8) and (12), above. Any transfer (including any transfer consented to by us and even if the transferee executes a new franchise agreement) will not act as a termination of your confidentiality, indemnity, non-competition or other obligations under this Agreement, including any obligations which by their nature survive the term of this Agreement (your non-competition obligations to expressly continue for the full original term of this Agreement plus any additional period(s) specified in Section 8.2 or otherwise), or affect your and our obligations and rights under the dispute avoidance and resolution provisions of this Agreement, including all of Sections 19 and 21. Your sole remedy in the event of a dispute between you and us regarding any proposed or completed transfer will be an order requiring our consent to such a transfer.

**14.7 Our Right-of-First-Refusal.** If you or any of your owners wish to engage in any transfer subject to this Agreement, (a) you or your owners will obtain a bona fide, executed written offer and earnest money deposit (in the amount of 10% or more of the offering price and in the form of a cashier's check) and (b) a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to us by you, your owners or both, together with a deposit of the transfer fee, which fee will be refunded to you if we exercise our right of first refusal hereunder. (Any transfer to an Immediate Family member will not be subject to the provisions of this Section 14.7) The offer must apply only to an interest in this Agreement, the Franchise, your Relax The Back Store or the Franchisee and must not include the purchase of any other property or rights of yours (or your owners); but if the offeror proposes to buy any other property or rights from you (or your owners) under a related offer, the price and terms of purchase offered to you (or your owners) for the interest in this Agreement, the Franchise, your Relax The Back Store, or the Franchisee will reflect the bona fide price offered therefor and will not reflect any value for any other property or rights. If any of the assets to be purchased do not meet the standards we then apply to new Relax The Back Stores or you are in default, we can require that such assets be replaced and/or brought into compliance with our requirements before the sale is completed, and/or such defaults be cured. The time for us to give notice of intent

to exercise our right-of-first-refusal will not begin to run until all such assets have been brought up to such standard and such defaults cured.

We have the right, exercisable by written notice delivered to you or your owners within 30 days from the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, to notify you that we have elected to purchase such interest for the price and on the terms and conditions contained in such offer (less any adjustments, as described in the foregoing paragraph), provided that we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in such offer, our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than 60 days from the date you receive our notice of intention to exercise such right-of-first-refusal to close. We will be entitled to purchase any interest subject to all customary representations, warranties and agreements given by the seller of the assets of a business or voting stock of an incorporated business, as applicable including, without limitation, representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of the corporation whose stock is purchased and including typical non-competition covenants by the seller and each owner of the Franchisee. In connection with such purchase, you and/or any affiliate/ owner of yours will sign a General Release, and we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours arising out of or relating to this Franchise Agreement (and no other agreement or franchise) which exist as of the close of the transaction and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing. If, for any reason, such transaction is not consummated within 180 days after the date of delivery of an exact copy of such offer to us, together with your deposit of any transfer fee and satisfaction of all other requirements for our consent to such transfer, or if you seek to effect a transaction on terms and conditions, or to any person or entity, other than as set forth in the offer disclosed to us by you, then the proposed transaction shall be deemed withdrawn, and all of the provisions of this Section shall again become fully applicable, as if such transaction had not been proposed.

If we do not exercise our right-of-first-refusal, you or your owner may complete the sale to such purchaser pursuant to and on substantially the same terms as those offered to us, subject to the conditions provided in this Agreement; provided that if there is a material change in the terms of the sale, we will have an additional right-of-first-refusal for 30 days on the same terms and conditions as are applicable to the initial right-of-first-refusal. Our rights under this or any other Section may be assigned by us to any person or entity we choose in our sole determination.

## **15. SUCCESSOR FRANCHISE.**

**15.1 Your Rights.** Your rights and our obligations under this Agreement terminate at the expiration of the initial term. If we have not chosen in our Business Judgment to withdraw from the market in which your Premises are located and, subject to the conditions below, you will be eligible at the end of the initial term to be awarded a successor franchise for your Relax The Back Store which may materially differ, in economic and other areas, from this Franchise Agreement and its requirements. However, such a successor franchise shall provide for a territory which includes the same geographic area as that described in this Franchise Agreement. Such a successor franchise shall be for a single 5-year period or a single 10-year period, as we mutually agree. If we are the owner or the lessor of the Premises, we shall not be obligated to negotiate or obtain any renewal, extension or otherwise of any lease or sublease, or solicit or accept any proposal from the landlord (or other person/entity controlling the premises) for a renewal, extension or otherwise of any lease or sublease, even if on the same terms and conditions as have previously been applicable to the premises.

**15.2 Your Obligations.** Any award of the successor franchise must meet all of the following conditions, each of which are agreed to be reasonable, together with the then current standards applicable to successor franchisees:

1) You (and each affiliate of yours) have fully and continuously complied with this Agreement and all other agreements with (and all other obligations to) us (and/or any affiliate of ours), in each case without any defaults, cured or uncured, during the term (including all of the conditions set out below);

2) You maintain possession of your Premises and by the expiration date of this Agreement (a) your Relax The Back Store and its operations must have been brought into full compliance with the specifications and standards then-applicable for new Relax The Back Stores, including a full upgrade to the same first-class condition as new Relax The Back Stores, which may include (but is not limited to) new equipment, furniture, furnishings, tenant improvements, decor package, signage, compliance with all then-current standards for facility design, software, provision of goods and services, methods of operation and other Relax The Back System Standards, plus such renovation and modernization of the Relax The Back Store as we may require to reflect the then-current standards and image of the System, all at your sole expense and (b) you present evidence satisfactory to us that you have the right to remain in possession of your Relax The Back Store for the duration of the successor franchise; or, in the event you are unable to maintain possession of your Relax The Back Store, or in our judgment your Relax The Back Store should be relocated, you secure substitute premises consented to by us and have furnished, stocked and equipped such premises to bring your Relax The Back Store and inventory into full compliance with our then-current requirements by the expiration date of this Agreement;

3) You have given written notice of election to obtain the successor franchise to us not less than twelve (12) months prior to the expiration of the term of this Agreement. Within 90 days after our receipt of such timely notice, we will furnish you with written notice of: (a) any reasons which could cause us to not award the successor franchise, including any deficiencies which in our Business Judgment require correction and a schedule for correction thereof by you, and (b) our then-current requirements relating to the image, appearance, decoration, furnishing, equipping, stocking and programs of a Relax The Back Store, and a schedule for effecting such upgrading, modifications or otherwise, as a condition of receiving the successor franchise. Prior to the expiration date of this Agreement, you will fully cure all such deficiencies and fully satisfy all such requirements and conditions. The award of the successor franchise will be conditioned (among other things) on your (and your affiliates') continued compliance with all the terms and conditions of this Agreement (and all other agreements with us and/or any affiliate) up to the date of expiration and correction of any deficiencies within the periods specified by us.

4) You (and each affiliate of yours) have satisfied all monetary obligations owed to us, to any company affiliated with us and, to vendors, and have timely and fully met such and all other obligations throughout the term of this Agreement;

5) You have executed our then-current form of Franchise Agreement and related documents (with appropriate modifications to reflect the fact that the successor Franchise Agreement relates to the award of a single successor franchise as contemplated by this Agreement without the right to further successor franchises or renewals), including guarantees, as are then customarily used by us in the award of franchises for Relax The Back Stores, and the economic and other terms of which may materially differ from the terms of this Agreement, including, without limitation, higher royalty fees and/or advertising contributions; provided, however, you will not be required to pay the then-current initial franchise fee and we will not be required to provide you any site location, initial training or other "start-up" services in connection with the award of any successor franchise.

6) You have complied with our then-current training requirements. We may require your personnel to attend and successfully complete any retraining program(s), and at such times and location(s), as we then specify. There will be no charge for any retraining program(s), but you will be responsible for all travel, meals, lodging and other expenses of your personnel;

7) You (and each owner and/or affiliate of yours) have signed a General Release, that has been received by us, at which time we will sign a release of any and all claims of ours against you and/or any affiliate/owner of yours arising out of or relating to this Franchise Agreement (and no other agreement or franchise) which exist as of the date of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing. If you fail to execute such a General Release, the awarding of a successor franchise will be the equivalent of the granting of such release, since you and we agree that it would be inappropriate and improper for you to continue in a franchise (or other) relationship with us, and have the right to use the Marks and System, if you had any claims, liabilities and/or obligations, of any nature whatsoever, however arising, known or unknown, against us (or other persons/entities covered by such a release) or otherwise failed to execute such a release,

particularly in view of the fact that you are not being charged a full initial franchise fee in connection with the successor franchise; and

8) You have paid us a non-refundable (unless the successor franchise is denied) renewal franchise fee equal to: (1) \$0 for a single 10-year term; or (2) \$12,000 for a single 5-year term. We must receive the fee from you at the time of your signing of the successor franchise.

Failure by you and/or your owners to timely complete such requirements will be deemed an election by you not to obtain the successor franchise.

If, at any time, you or any affiliate is to receive one or more successor, additional, other and/or further franchises from us (we having no obligation to award you any such additional, other and/or further franchises), whether or not a successor franchise, you, each of your affiliates, each owner of the Franchisee, the new franchisee and each owner thereof will at each such time sign a General Release, except (where expressly so required by applicable law) for any claims exclusively related to the offer and sale of the successor, additional, other and/or further franchises. Upon receipt of such a General Release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours arising out of or relating to this Franchise Agreement (and no other agreement or franchise) which exist as of the close of the transaction and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing.

## **16. TERMINATION OF THE FRANCHISE.**

**16.1 Defaults with No Right to Cure.** Your rights and our obligations under this Agreement will automatically terminate on delivery (or, in any event, on three calendar days after mailing) of notice of termination to you (without further action by us and without opportunity to cure) if: (1) you or any of your owners fail, in the time provided in, or otherwise in accordance with, this Agreement to: (a) locate a site accepted by us; (b) obtain lawful possession of your Relax The Back Store; or (c) develop and open your Relax The Back Store; (2) you or any of your owners abandons or fails to operate your Relax The Back Store for more than seven consecutive calendar days, without our prior written approval; (3) you or any of your owners has made any material misrepresentation or omission in your application for the Franchise, including (but not limited to) failure to disclose any prior litigation or criminal convictions (other than minor traffic offenses); (4) you or any of your owners is judged bankrupt, becomes insolvent, makes an assignment for the benefit of creditors, is unable to pay his or her debts as they become due, or a petition under any bankruptcy law is filed against you or any of your owners or a receiver or other custodian is appointed for a substantial part of the assets of your Relax The Back Store; (5) you or any of your owners is convicted of, or pleads no contest to, a felony, or to any crime or offense that may adversely affect the reputation of the Franchisee or any owner or your Relax The Back Store or the goodwill associated with the Marks or engages in any misconduct which unfavorably affects the reputation of the Franchisee or any owner or your Relax The Back Store, us or the goodwill associated with the Marks (including, but not limited to, child abuse or other mistreatment, health or safety hazards, drug or alcohol problems, or allowing unlawful activities or unauthorized or illegal items to be used or distributed at your Relax The Back Store or in connection with the Franchise); (6) you or any of your owners makes, or attempts to make, an unauthorized “transfer” as defined in this Agreement or surrenders control of the Franchise or Franchised Business without our consent; (7) you or any of your owners makes any unauthorized use or disclosure of or duplicates any copy of any Confidential Information, makes any unauthorized use of the Marks, or uses, duplicates, or discloses any portion of the Manuals or you and/or any other person/entity violates any restriction on ownership, operation, etc. of a Similar Business; (8) you or any of your owners loses the right to possession of your Relax The Back Store and does not relocate your Relax The Back Store to other premises in accordance with this Agreement; (9) you and/or any of your owners (and/or any affiliate of you and/or any affiliate’s owners) make any substantial misrepresentation to us or any affiliate, including (but not limited to) any misrepresentation of Adjusted Gross Sales and/or any amounts due us and/or any affiliate and/or commit any other act or omission constituting fraud, misrepresentation or similar act or omission, whether with respect to us, any of the Franchisor-Related Persons/Entities and/or any customer or approved supplier (you agree that such a fraud, misrepresentation or similar act or omission by you, etc. is by its nature incurable, since it would adversely affect the goodwill associated with the Marks and/or irrevocably damage the relationship between you and us); (10) you (and/or any owner and/or affiliate of yours) engage in any legal action

(including arbitration, but not including mediation) against us and/or any of the Franchisor-Related Persons/Entities do not receive a final judgment or award substantially in your favor on the merits, in which case you will be allowed 180 days after notice of termination to transfer the Franchise and the Franchised Business (but this subsection 10 is not applicable to matters resolved by settlement agreement); (11) you have failed to retain (or otherwise fail to produce on request) any material records required to be maintained by our record retention policy or otherwise required for us to confirm your compliance with the provisions of this (or any other) agreement; (12) you (and/or any affiliate) have defaulted on two (2) or more separate occasions within any period of twelve (12) consecutive months or on three (3) or more separate occasions within any period of twenty-four (24) consecutive months, in any obligation(s) to us and/or any of the Franchisor-Related Persons/Entities, whether or not you cure the defaults; (13) any audit reveals an intentional understatement of Adjusted Gross Sales for any period is greater than 10%; (14) you fail to meet your obligations in Section 16.3 below; or (14) we or our affiliate terminates any other agreement we have with you and/or any of your affiliates.

**16.2 Defaults with Right to Cure.** Your rights and our obligations under this Agreement will automatically terminate on our mailing of notice of termination to you (without further action by us and without further opportunity to cure beyond that set forth in this section), if you, any of your owners or any affiliate of any of the foregoing:

#### 10 Day Cure

(1) fail to comply with any provisions of the System Standards; (2) fail to maintain required insurance; (3) fail to correct any condition that, in our reasonable judgment, might pose a danger to public health and/or safety; (4) fail to report accurately the Adjusted Gross Sales of any Relax The Back Store (or fail to submit, in fully accurate and complete form and when required, any other report due under this Agreement) or fail to make payments of any amounts due us, any affiliate and/or any supplier/creditor of yours and do not correct such failure within 10 calendar days after written notice is mailed to you. With respect to items (1), (2) and/or (3) above, we may require you to immediately cease all operations until such defaults are fully cured.

#### 30 Day Cure

(1) cause or permit to exist any default under the lease or sublease for your Relax The Back Store and fail to cure such default within the applicable cure period set forth in the lease or sublease (if such applicable cure period is less than 30 days, then such applicable cure period shall apply, irrespective of the 30 day, or 90 day, cure periods under this section); (2) fail to remain current in your obligations to taxing authorities, landlords, equipment lessors, suppliers or others; or (3) fail to comply with any other provision of this Agreement (or any other agreement with us and/or any affiliate of ours) or any System Standard, and, in any such case, do not: (a) correct such failure within 30 calendar days after written notice of such failure to comply is mailed to you; or (b) if such failure cannot reasonably be corrected within such 30 day period, undertake within 30 calendar days after such written notice is mailed to you, and diligently continue until completion, efforts to bring your Relax The Back Store into full compliance and furnish, at our request, proof acceptable to us of such efforts and the date full compliance will be achieved; provided that, in any event, such defaults must be fully cured within 90 calendar days after such written notice is mailed to you.

**16.3 Financial Standards.** Beginning 24 months after the date of this Agreement, we may choose in our Business Judgment to compare your Adjusted Gross Sales with the then-current “Financial Standard”. We will make any such comparisons on a 12 month basis. For example, if the date of this Agreement was January 1, 2012, the first comparison could be on January 1, 2014, and the next comparison could be on January 1, 2015. If your results are not above the level of the top performer in the bottom 10% of our then-current Traditional Relax The Back Stores in operation more than 24 months and in Good Standing (the “Financial Standard”), you will be subject to the Correction Process outlined below (and requirements for sale or termination as described below, if so elected by us).

## Correction Process

If Adjusted Gross Sales for the most recently completed six-month period does not equal the then-current Financial Standard (every six-month adjusted) as of the date of any comparison as specified above, we may (but are not required to) implement the following correction process.

First, we will notify you of your failure to meet the Financial Standard and you will have six months after the date of mailing of such notice (the “6 Month Correction Period”) to achieve the then-current the Financial Standard.

Second, during the 6 Month Correction Period, we will actively work with you to (a) identify the reasons for such substandard performance, and (b) suggest means and methods for you to meet the then current Financial Standard.

Third, at one or more times during the 6 Month Correction Period, we may meet with you at your Store or require you to meet with us at our headquarters or other location, as we consider in our Business Judgment to be best suited to the purposes of analyzing the reasons for such substandard performance and discussing possible means of correction, and/or re-attend training, in each case at your expense for costs of travel, meals, lodging and otherwise, but we will not charge any fee for such re-training.

Fourth, at the end of the 6 Month Correction Period, we may require you to again meet with us at your Store or at our headquarters to analyze the situation. In any case, at the end of the 6 Month Correction Period, you will be evaluated for compliance with the Financial Standards and, if your Relax The Back Store is not in compliance with the Financial Standards, you will indicate in writing, within ten days after the 6 Month Correction Period, whether or not you wish to sell your franchise to a third party. If you indicate that you wish to sell your Franchise, you will have 180 days after the end of the 6 Month Correction Period to complete such sale, subject to all requirements of this Agreement (including our right-of-first-refusal).

Fifth, if you have failed to meet such standards and do not, within such ten days, so advise us of your wish to sell the franchise to a third party, or if no sale meeting the requirements of this Agreement takes place within such 180 days, your rights, and our obligations, under this Agreement will terminate immediately on mailing of written notice of termination from us to you. In connection with such termination, you will sign a General Release and comply with all post termination obligations under this Agreement. Upon receipt of such a General Release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours relating to or arising out of this Franchise Agreement (and no other agreement or franchise) which exist as of the date of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing.

We reserve the right to make reasonable revisions to elements of the Financial Standards through changes in the Manuals or otherwise, upon six months written advance notice to you.

Nothing in this Section is intended to limit or diminish in any way any rights or remedies provided us under this or any other agreement, at law or in equity. The fact that any correction process may be ongoing with respect to one default shall not prevent us from exercising any such rights and/or remedies, including any right to terminate this Agreement, for another default.

**16.4 No Equity on Termination.** Your ownership of the Franchise is controlled by the provisions of this Agreement and you will have no equity or other continuing interest in the Franchise, any goodwill associated with it or otherwise, or any right to compensation, return of amounts paid or otherwise, at the expiration and/or termination of the term of the Franchise.

**16.5 System Compliance Review.** You and we understand that there might develop situations in which you and we have a legitimate difference of opinion as to whether or not you are in compliance with various non-financial, operational obligations of yours relating to your compliance with the Relax The Back System. You and we also agree that the input of other Relax The Back Franchisees in such matters might be helpful to, but should not be binding on, each of us. Therefore, if we believe that you are not in compliance with your obligations to follow the

Relax The Back System in any non-financial, operational areas, we may submit such issue to the FAB for their review and evaluation. You and we will cooperate with such committee in their deliberations, subject to applicable legal constraints. Any FAB Input will be purely advisory and not legally binding on you or us.

**16.6 Management of the Store After Issuance of Notice of Default.** If we issue a notice of default, we will have the right, in addition to our other rights and remedies, (but no obligation) to appoint a reasonably qualified manager to operate your Relax The Back Store on an interim basis until you have cured all defaults. All funds from the operation of the Relax The Back Store during the period of management by us will be kept in a separate fund and all expenses of the Relax The Back Store, including reasonable compensation, other costs and travel and living expenses of our appointed manager, shall be charged to you and may be paid out of such fund. Operation of the Relax The Back Store during any such period shall be for and on behalf of you; provided that we shall only have a duty to utilize reasonable efforts in the operation of the Relax The Back Store and shall not be liable to you for any debts, losses or obligations incurred by the Relax The Back Store, or to any creditor of yours for any items purchased by the Relax The Back Store during any period in which it is managed by us. In the event that the fund maintained by us is insufficient to pay the expenses of the Relax The Back Store in a reasonable business-like manner, we shall so notify you and you shall, within five business days, deposit in the fund such amounts as shall be required by us to attain a reasonable balance in the fund. The provisions of this Paragraph shall not restrict our right to terminate this Agreement as herein provided or affect any of our indemnity or other rights, nor limit your right to cure any default that is capable of cure under this Agreement.

**16.7 Our Right To Discontinue Supplying Items To You After Issuance of Notice of Default.** If we issue a notice of default, we and each of our affiliates will have the right, in addition to our other rights and remedies, to discontinue selling and/or providing any goods and/or services to you until you have cured all defaults and we and/or our affiliates may cease providing such items to you or require you to pay by wire transfer in the full amount prior to shipment until such time as you correct this problem.

**16.8 Prompt Notice of Claims by You.** You understand that you are not permitted to terminate this Agreement for any default committed by us, except as permitted under this Agreement or applicable law. If you claim that such a default exists (or that you have any other basis for terminating your obligations and our rights under this Agreement or making any other claim against us), you must give us written notice and 30 days to cure; any action by you to terminate may not proceed until we have had such notice and an opportunity to cure. If we cannot reasonably cure within such 30 day period, and we are diligently continuing efforts to cure, then we will have 90 days to cure; provided that i) any dispute regarding our withholding consent with respect to a proposed transfer by you, or any other dispute in which delay may cause you significant harm or loss, may be immediately processed as provided in Section 19.1; and ii) any claim for equitable relief with respect to a dispute under Section 19.1 (H) shall not be subject to this Section.

## **17. RIGHTS AND OBLIGATIONS ON TRANSFER, REPURCHASE, TERMINATION AND/OR EXPIRATION OF THE FRANCHISE OR OTHERWISE.**

You agree that upon termination or expiration of this Agreement, the following shall occur:

**17.1 Termination of Rights and Obligations, Payments of Amounts Owed.** You must pay us and each of our affiliates, within ten (10) days after the effective date of any repurchase, termination or expiration of the Franchise, or such later date that the amounts due are determined, such Continuing Royalty Fee, advertising/marketing contributions, amounts owed for purchases or otherwise by you (or any affiliate) from us and/or any affiliate, interest due on any of the foregoing, and all other amounts owed to us (or any affiliate) which are then unpaid.

**17.2 Marks, Trade Dress, Phone Listings.** You will: (1) not directly or indirectly at any time or in any manner identify yourself or any business as a current or former Relax The Back Store, or as a current or former franchisee of or as otherwise associated with us, or use any Mark or any colorable imitation thereof in any manner or for any purpose, or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us; (2) remove all signs containing any Mark and return to

us or (at our option) destroy all forms and materials containing any Mark or otherwise identifying or relating to a Relax The Back Store (to the extent they have not been assigned in connection with an authorized transfer or a repurchase); (3) take such actions as may be required to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark (to the extent they have not been assigned in connection with an authorized transfer or a repurchase); and (4) if you retain possession of your Relax The Back Store, you will, at your expense, make such modifications and alterations, including removal of all distinctive signage, appearance, physical and structural features associated with the Trade Dress of Relax The Back Stores, as may be necessary or appropriate to distinguish the Premises clearly from its former appearance and from other Relax The Back Stores as to prevent any possibility that the public will associate the Premises with Relax The Back Stores and any confusion created by such association.

You acknowledge and agree that (1) we have the sole rights to, and complete ownership of, all telephone or other service (including yellow and white page listings, cellular and fax) numbers, directory listings and any other type of contact information used by or that identifies or is associated with your Relax The Back Store (“Contact Information”) and all Online Presences used in connection with your Relax The Back Store business and/or associated with the Marks, and (2) any direction by us is conclusive evidence of our rights in and to any such Contact Information and/or Online Presence. We reserve the right to notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information if any information relating to your Relax The Back Store is inaccurate or violates our System Standards, and request that they modify such Contact Information, and/or remove such Contact Information until it can be corrected.

If this Agreement has terminated and/or expired, and/or we have granted a franchise for your Store to an approved transferee, then you agree to take all actions necessary or appropriate to transfer any Contact Information and/or Online Presence to us or our designee or the approved transferee, as applicable. You hereby appoint us and any officer of ours, as your attorney in fact, to direct the telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information to transfer the same to us or as we direct if you do not comply with our directions in such regard. Such companies may accept this Agreement as conclusive evidence of our exclusive rights in such Contact Information and Online Presences and otherwise and our authority to direct their transfer. You must pay all amounts, whether due and payable or not, that any service provider may require in connection with any such transfer or otherwise and will sign all releases and other documents (including those providing that you indemnify and hold harmless any service provider and us) required by any service provider and/or us in connection therewith.

You acknowledge and agree that from and after the inception of this Agreement, we own the current and future list of your clients/customers and all transactional and other information relating to them, including addresses and telephone numbers, and may use such list and information after any termination, expiration, repurchase, transfer or otherwise; provided that we will not sell any such customer list and/or information to any person/entity who is not a member of, or related to, either the Relax The Back franchise network or us.

You must furnish to us, within 30 days after the effective date of termination or expiration, satisfactory evidence of your compliance with the foregoing obligations.

**17.3 Confidential Information.** You will (1) immediately cease to use any Confidential Information of ours disclosed to or otherwise learned or acquired by you in any business or otherwise; and (2) return to us all copies of the Manuals and any other confidential materials which have been loaned or made available to you by us.

**17.4 Covenant Not to Compete, Continued Confidentiality.** You will continue to observe the confidentiality, non-competition and other restrictions of this Agreement, including (but not limited to) those of Sections 8.1 and 8.2.

**17.5 Continuing Obligations.** All obligations of yours and rights of ours, including your obligation to pay the Continuing Royalty Fee, advertising contributions and other amounts, and the provisions of this Agreement with respect to dispute avoidance and resolution (including, but not limited to, those of Section 19), together with the

provisions of Section 21, and all other obligations of yours and rights of ours which expressly or by their nature survive the transfer, repurchase, expiration or termination of this Agreement or the Franchise (including, but not limited to, your indemnity, confidentiality and non-competition obligations), will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire. All these obligations will apply notwithstanding any rejection of this Agreement in a bankruptcy proceeding or otherwise. In any event, our exercise of any rights of termination will not be our sole remedy and where we have terminated our obligations and/or your rights under this Agreement by reason of a default of yours, you will not be released or discharged from, and will be required to pay, your obligations hereunder, including your obligations to pay the Continuing Royalty Fee, advertising contributions and other amounts which would have become due if you had continued in operation as a Relax The Back Franchisee and our remedies will include (but are not limited to) the right to collect the present value of such amounts as of the date of such termination and to otherwise receive the benefit of our bargain with you, as well as acceleration of the balances of all promissory notes and other unpaid amounts owed to us or any affiliates of ours, you and we agreeing that it would be unjust and damaging to the interests of all Relax The Back operators and the integrity of the Relax The Back system if a Relax The Back Franchisee could utilize a strategy under which he/she would default, have his/her rights to use the Marks and System properly terminated as a result of that default and then entirely escape any financial consequences related to obligations accruing after the date of termination. If you continue to operate your business, after transfer, repurchase, termination or expiration, using any of the Marks or any aspect of the System, our remedies will include (but will not be limited to) recovery of the greater of (a) all net profits earned by you in the operation of your business after such transfer, repurchase, termination or expiration or (b) all Continuing Royalty Fees, advertising contributions and other amounts which would have been due if such transfer, repurchase, termination or expiration had not occurred. At any time from the date of this Agreement through and including 120 days after termination or expiration, for any reason, of your and/or our rights under this Agreement, we may, at our option and without further consideration, receive an assignment of your leasehold interest to the extent permitted under any lease/sublease for your Relax The Back Store (and/or any other facilities from which you operate your Relax The Back Store and in each case without the lessor's or sublessor's consent), terminating your rights to the Premises and assuming the balance of any lease or sublease.

**17.6 Our Right to Purchase Any or All of the Assets of Your Traditional Relax The Back Store on Expiration or Termination at Fair Market Value.** Upon termination or expiration of this Agreement, we shall have the right (but not the obligation) within 120 days of the termination or expiration, to purchase any or all of the furnishings, equipment, signs, fixtures, supplies, materials and other assets related to the operation of the Relax The Back Store (the "Assets"). The purchase price for your Assets will be the net realizable value of the Assets in accordance with the liquidation basis of accounting (not the value of the Traditional Relax The Back Store as a going concern) ("Liquidation Value"). You must assign to us any lease or sublease for the Premises. If you dispute our calculation of the purchase price, then within a reasonable time, the purchase price will be determined by an independent appraiser reasonably acceptable to both parties. We will share equally the fees and expenses of the appraiser. The appraiser shall be obligated to complete his or her appraisal within thirty (30) days after appointment. With respect to our option under this Section, we shall purchase assets only and shall assume no liabilities. Our election to purchase the Assets must be exercised by written notice to you within thirty (30) days after termination or expiration of this Agreement, and is subject to the parties agreeing on a purchase price, or have the appraiser determining a purchase price acceptable to us. If we elect to exercise any such option, we shall have the right to set off from the purchase price all amounts due from you to us or any of our affiliates. We shall have the unrestricted right to assign this option to any other party, without your consent.

The purchase price will be fair market value, determined in a manner consistent with reasonable depreciation of leasehold improvements owned by you and the items purchased. In any event, the purchase price will not contain any factor or increment for the Marks or any trademark, service mark or other commercial symbol used in connection with the operation of your Traditional Relax The Back Store or for any goodwill or going concern value related to the Marks and/or the System. We may exclude from the assets purchased any equipment, furniture, fixtures, signs, inventory or otherwise that do not meet quality standards for Traditional Relax The Back Stores. There shall be no provision for payment for leasehold improvements, the title of which shall be governed by the terms of your lease or sublease for your Traditional Relax The Back Store premises. The length of the remaining term of the lease or sublease for your Traditional Relax The Back Store will not be considered in determining fair market value of any lease or

sublease to be acquired. If you and we are unable to agree on the fair market value of any assets, fair market value will be determined by an independent appraiser selected by you and us, and if you and we are unable to agree on an appraiser, you and we will each select one appraiser, who together will select a third appraiser, and the fair market value will be deemed to be the average of the three independent appraisals. All sales, transfer and/or similar taxes are to be paid by you. In connection with such purchase, you (and each affiliate of yours) will execute a General Release. Upon receipt of such a General Release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours arising out of or relating to this Franchise Agreement (and no other agreement or franchise) which exist as of the close of the transaction and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing.

**17.7 Execution of Release on Default.** In our sole determination, in any case where you have committed a default under this Agreement, any lease/sublease and/or otherwise which would allow us to terminate your rights, we may (but are not required to) waive our rights to collect any Continuing Royalty Fees, advertising contributions and other amounts which would have become due if you had continued in operation as a Relax The Back Franchisee and you will, in consideration for such waiver, execute a General Release. Upon receipt of such a General Release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours arising out of or relating to this Franchise Agreement (and no other agreement or franchise) which exist as of the date of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing. This option may be exercised by us at any time, including before, at the same time as or after termination and whether or not you or we have made any claims, or begun any proceedings, against the other or anyone else.

## **18. GRANT OF SECURITY INTEREST.**

For valuable consideration, as security for the payment of all amounts from time-to-time owing or to be owed by you (and/or any affiliate of yours) to us (and/or any affiliate of ours) under this Agreement, any other agreements or otherwise, and the performance of all the obligations to be performed by you, you hereby grant to us a security interest in all of the assets, including equipment, furniture, fixtures and signs, used by, at or in connection with, your Relax The Back Store and its related business and all proceeds of your Relax The Back Store (the “Collateral”). You represent and warrant that the security interest granted is prior to all other security interests in the Collateral except for (a) bona fide purchase money security interests and (b) any security interest approved by us in accordance with Section 14 of this Agreement and granted to a third party in connection with your financing for your Relax The Back Store, if any. In connection with any request for our approval of a security interest, we will make commercially reasonable efforts to accommodate reasonable lender’s requirements, bearing in mind the interests of the borrower, lender, ourselves and the Relax The Back System. You will not remove the Collateral or any portion thereof without our prior written consent. On the occurrence of any event entitling us to terminate your rights and/or our obligations under this Agreement or any other agreement between the parties, or if we otherwise reasonably determine that we are not assured that all of your (and/or any affiliates’) obligations will be timely and fully paid and/or performed, we will have all the rights and remedies of a secured party under the Uniform Commercial Code of the State in which your Relax The Back Store is located, including, without limitation, the right to take possession of the Collateral. You will execute and deliver to us financing statements and/or such other documents as we reasonably deem necessary to perfect our interest in the Collateral within ten days of receipt by you of such documents from us.

## **19. DISPUTE AVOIDANCE AND RESOLUTION.**

For the purposes of this Section 19, “you” will be deemed to include your owners, Affiliates and their respective employees, and “we” will be deemed to include “Franchisor-Related Persons/Entities.”

**19.1 Mediation and Mandatory Binding Arbitration, Waiver of Right to Trial in Court.** You and we believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. You and we have agreed that the provisions of this Section 19 support these mutual objectives and, therefore, agree as follows:

A. Claim Process: Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever including any claim for equitable relief and/or where you are acting as a “private attorney general,” suing pursuant to a statutory claim or otherwise, between or involving you and your Affiliates, on the one hand, and us and our Affiliates, on the other hand, on whatever theory and/or facts based, and whether or not arising out of this Agreement (“Claim”) will be processed in the following manner, you and we each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 19.1 (H).

1) First, discussed in a face-to-face meeting held within 30 days after either you or we give written notice to the other proposing such a meeting.

2) Second, if not resolved, submitted to non-binding mediation for a minimum of four hours before (a) Franchise Arbitration and Mediation, Inc. (“FAM”) or its successor, (b) any other mediation organization approved by all parties, or (c) by Judicial Arbitration and Mediation Service (“JAMS”) or its successor, if FAM cannot conduct such mediation and the parties cannot agree on a mediation organization, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control. We will pay the costs of the first four hours of any mediation, and no mediation is required to extend beyond such four hour period. Any mediation/arbitration (and any appeal of arbitration) will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding.

3) Third, submitted to and finally resolved by binding arbitration before and in accordance with the arbitration rules of FAM or its successor; provided that if such arbitration cannot be heard by any such organizations, then the arbitration will be conducted before and in accordance with the arbitration rules of JAMS or its successor; provided that, in any case, arbitration may be filed prior to a face-to-face meeting and/or mediation, with such face-to-face meeting and/or mediation to follow as quickly thereafter as possible. Any arbitration shall be conducted and heard by a single arbitrator, who must be experienced in franchising. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction (subject to the opportunity for appeal as contemplated below). The arbitrator’s award will be in writing. On request by either party, the arbitrator will provide to all disputants a reasoned opinion with findings of fact and conclusions of law and the party so requesting will pay the arbitrator’s fees and costs connected therewith.

4) Fourth, a final award by an arbitrator (there will be no appeal of interim awards or other interim relief), may be appealed within 30 days of such final award. Appeals will be conducted before a three-arbitrator panel appointed by the same organization as conducted the arbitration, each member of which must be experienced in franchising. The arbitration panel will not conduct any trial de novo or other fact-finding function. Such panel’s decision will be in writing, may be entered in any court having jurisdiction and will be binding, final and non-appealable. On request by either party, the arbitration panel will provide to all disputants a reasoned opinion with findings of fact and conclusions of law and the party so requesting will pay the arbitration panel’s fees and costs connected therewith.

B. Confidentiality: The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

C. Location and Attendees: Any mediation/arbitration (and any appeal) will be conducted exclusively at a neutral location in the county in which our then-current headquarters is located, which may change from time to time, and be attended by you and us, and/or designees authorized to make binding commitments on each of our respective behalves; provided that if any court determines that this provision is unenforceable for any reason, mediation/arbitration (and any appeal) will be conducted at a location near your Relax The Back Store.

D. Arbitration Authority: Arbitrators in any proceeding under this Section 19 will apply all applicable law, and a failure to apply the applicable law in accord with Section 19.14 will be deemed an act in excess of authority. The arbitrator will decide any questions relating in any way to the parties’ agreement (or claimed agreement) to

arbitrate, including but not limited to applicability, subject matter, timeliness, scope, remedies, claimed unconscionability and any alleged fraud in the inducement. The arbitrator may award or include in his or her awards any relief which he or she deems proper, including, without limitation, money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). Each party consents to the enforcement of any injunctive relief by any court having jurisdiction. The subpoena powers of the arbitrator with respect to witnesses to appear at the arbitration proceeding will not be subject to any geographical limitation.

F. **Compulsory Counter-Claims:** Each participant must submit or file any Claim which would constitute a compulsory counter-claim (as defined by the applicable rule under the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such Claim which is not submitted or filed in such proceeding will be forever barred. In no event may offers and/or other communications made in connection with, or related in any way to, mediation, possible settlement or other resolution of a dispute be admitted into evidence or otherwise used in any arbitration or other proceeding, and any arbitration award in violation of this provision will be vacated by the arbitration appeal panel (described above) and/or any court having jurisdiction.

G. **Fees and Costs:** Subject to the provisions of Section 19.7, the parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration and/or appeal (but not any attorneys' fees) against the party who does not prevail.

H. **Disputes Not Subject to the Mediation/Arbitration Process:** Claims or disputes relating primarily to the validity of the Marks and/or any Intellectual Property licensed to you may be subjected to court proceedings or to the Process outlined in 19.1 (A), above, at our sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any Intellectual Property licensed to you and requesting equitable relief will be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Process outlined in 19.1 (A). Any action to compel a party's compliance with Section 19.1 must be consistent with Section 19.2, below.

I. **Your and Our Intentions:** You and we mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, provincial or other law, and/or any statements in our disclosure document required by a state/province as a condition to registration or for some other purpose,:

1) all issues relating to arbitration and/or the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

2) all provisions of this Agreement (including, but not limited to, Sections 19 and/or 21) will be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, shortened periods in which to bring Claims;

3) you and we intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

4) you and we each knowingly waive all rights to a court trial (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement; and

5) the terms of this Agreement (including but not limited to this Section 19) will control with respect to any matters of choice of law.

**19.2 Venue.** Without in any way limiting or otherwise affecting your and our obligations under Section 19.1, above, you and we agree that any litigation will be held in the United States District Court encompassing our, or as applicable our successor's or assign's, then-current headquarters (the "Proper Federal Court"). Proceedings will be held only in the Proper Federal Court, subject to the following exceptions:

A) if a basis for federal jurisdiction does not exist, then any such proceeding will be brought exclusively before a court in the most immediate state judicial district encompassing our, or as applicable our successor's or assign's, then-current headquarters and having subject matter jurisdiction (the "Proper State Court");

B) proceedings to remove or transfer a matter to the Proper Federal Court and/or to compel arbitration as contemplated by this Agreement may be brought in the court where the applicable action is pending and/or the Proper State or Federal Court; and

C) any action primarily with respect to any real and/or personal property (including any action in unlawful detainer, ejectment or otherwise) may be brought in any court of competent jurisdiction and/or the Proper State or Federal Court.

**19.3 Terms Applicable to All Proceedings, Waiver of Trial by Jury, Class Action Rights.** With respect to any Claim of any kind, you and we:

A) Knowingly waive all rights to trial by jury;

B) Will pursue any proceeding on an individual basis only, and may not be (i) conducted on a class-wide or multiple plaintiff basis, (ii) commenced, conducted or consolidated with any other proceeding, or (iii) joined with any separate claim of any unaffiliated third-party; provided that if this provision is not enforceable for any reason, then you and we agree that with respect to any such proceeding, a court will supervise the procedural aspects directly related to the multiple plaintiff/class/consolidated nature of the Claim (e.g. certification of the class, appropriateness of class representation, approval of attorneys' fees incurred on behalf of the class, approval of any settlement, etc.) and the arbitrator will decide all substantive matters related to the actual Claims, including liability and damages.

**19.4 Limitations on Damages and/or Remedies.** Your liability, together with that of any and all Affiliates of yours, will be limited to a maximum total amount of \$200,000 for any and all claims arising out of this Agreement and/or the Relax The Back Store you operate under this Agreement, whenever brought, subject to inflation adjustment (liability for the present value of all payments which normally would have been owed by you if the franchise had continued in existence for its full term, together with any past due payments owed to us and/or any Affiliate, are subject to and part of such total limit); provided that there will be no limitation on indemnity obligations. Our maximum liability, together with that of any and all of the Franchisor-Related Persons/Entities, will also be limited to a maximum total amount \$200,000, for any and all claims, whenever brought, subject to inflation adjustment; provided that there will be no limitation on indemnity obligations.

**19.5 Periods In Which to Make Claims.** No Claim (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either you or us will be permitted against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other Claim of any type, unless such party commences such arbitration proceeding, action or suit before the expiration of the earlier of:

A) One year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

B) 18 months after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

The above periods may begin to run, and will not be tolled, even though the claiming party was not aware of the legal theories, statutes, regulations, case law or otherwise on which a claim might be based. If any federal, state or provincial law provides for a shorter limitation period than is described in this Section, then such shorter period will govern. The time period for actions for indemnity will not begin to run until the indemnified party(ies) have been found liable and any time for appeals has run in the underlying action.

#### **19.6 Survival of Obligations.**

A) Each provision of this Section 19, together with the provisions of Section 21, will be deemed to be self-executing and continue in full force and effect subsequent to and notwithstanding the expiration, Termination, rescission, or finding of unenforceability of this Agreement (or any part of it) for any reason; will survive and will govern any Claim for rescission; and will apply to and govern any Claim against, or with respect to, the Marketing Fund. Notwithstanding any bankruptcy or other proceeding, you and we wish to have the dispute avoidance and resolution provisions of this Agreement strictly enforced according to their terms.

B) Non-competition, confidentiality, information security, protection of the Marks and indemnity/hold harmless obligations, and all other Post Termination Provisions provided in this Agreement will survive the expiration and/or Termination of this Agreement according to their terms.

**19.7 Costs and Attorneys' Fees.** Except as expressly provided regarding recovery of attorneys' fees as part of indemnification rights hereunder, or in this Section, or as otherwise expressly provided in this Agreement, the parties will each bear their own costs of enforcement and/or defense (including but not limited to attorneys' fees), including those matters resolved pursuant to a settlement agreement between the parties. However, if any case is summarily disposed of in an arbitration or litigation proceeding for lack of merit (such as by summary judgment or award, judgment on the pleadings, judgment on a directed verdict, non-suit, motion to dismiss, directed verdict or similar disposition in arbitration or court), the party bringing such case will pay for the other party's costs of enforcement and/or defense (including, but not limited to, attorneys' fees).

**19.8 Binding Effect, Modification.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified or supplemented except by means of a written agreement signed by both you and one of our authorized officers. However, you and we understand and agree that changes to the Manuals made in accordance with this Agreement are binding and do not require any acceptance by you, written or otherwise, to be effective and enforceable. No other officer, field representative, salesperson or other person has the right or authority modify this Agreement, or to make any representations or agreements on our behalf, and any such modifications, representations and/or agreements will not be binding.

#### **19.9 Our Exercise of Discretion; Express Agreement.**

A) Whenever we reserve or are deemed to have reserved the discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Business Judgment in making our decision or exercising our rights. Thus, if we have the right to make a decision, whether under this Agreement or another context, you and we agree that we have the wholly unrestricted right to make decisions and/or take (or refrain from taking) actions. We will use our judgment in exercising such rights based on our assessment of the interests we consider appropriate and will not be required to consider your individual interests or the interests of any other Franchisee(s). You, we and all other Franchisees have a collective interest in working within a franchise system with the flexibility to adjust to business conditions, including but not limited to the competitive environment, new regulatory developments and emerging business opportunities. Therefore, you and we agree that the ultimate decision-making responsibility for the Relax The Back System must be

vested in us. So long as we act in compliance with the requirements of this Agreement, we will have no liability for the exercise of our discretion in accordance with the provisions of this Agreement.

B) You and we will execute this Agreement in the belief that it is the basis for a long-term business relationship and should be enforced according to its express provisions. Neither you nor we have any expectation that the rights and obligations described herein will be defined or determined to be other than as expressly written, or that additional obligations will be imposed on you or us which you or we have not expressly assumed in writing. It would be contrary to your and our intentions and expectations to impose any doctrine, rule of interpretation or “covenant” such as an “implied covenant of good faith and fair dealing.”

#### **19.10 Construction.**

A) Section headings are for convenience only and do not define, limit, or construe such provisions.

B) References to a “controlling interest” are to a shareholder, membership or partnership interest, as applicable, which enables the holder(s) of such interest to determine the outcome of a decision making process for the applicable entity. References to “owners” of, “ownership” of, and/or “ownership interests” in you, your Franchise, your Relax the Back Store, or this Agreement, will in each case, include any direct or indirect ownership of any voting or beneficial rights or interests, or rights convertible into any of the foregoing.

C) This Agreement will be executed in multiple copies, each of which will be deemed an original.

D) Each of us have carefully reviewed and thought about each provision of this Agreement. Therefore, you and we agree that it should be deemed to have been drafted equally and that no presumptions or inferences concerning terms or interpretation will result because we initially prepared this Agreement.

E) All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

**19.11 Non-Retention of Funds.** Neither party has the right to offset or withhold payments of any kind owed or to be owed to the other against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an arbitration award.

**19.12 Severability; Substitution of Valid Provisions.** Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution). Each party reserves the right to challenge any law, rule or judicial or other construction which would have the effect of varying or rendering ineffective any provision of this Agreement. To the extent that any provision of this Agreement, or any specification, standard or operating procedure prescribed by us, is invalid or unenforceable, you and we agree that such provisions will be modified or enforced to the fullest extent permissible under, and to be compliant with, governing law. This Agreement will be deemed automatically modified to comply with governing law if such law requires: (i) a greater time period for notice of the Termination of, or refusal to renew, this Agreement; or (ii) the taking of some other action not described in this Agreement. Such modifications to this Agreement will be effective only in such jurisdiction. You and we agree that the unenforceability of any provision of this Agreement will not affect the remainder of this Agreement. If any limitation on your and/or our rights (including, but not limited to, any limitation on damages, waiver of jury trial, shortened period in which to make any claim or otherwise) is held unenforceable with respect to one party, then such limitation will not apply to the other party.

**19.13 Waivers; Cumulative Rights.** Subject to the provisions of Section 19.5, no waiver by either party of any breach, default or unfulfilled condition under this or any other agreement between the parties will be deemed a waiver of any subsequent or other breach, default or unfulfilled condition. No waiver will be effective unless in writing and signed by an authorized representative of the signing party. The rights and remedies provided in this Agreement are cumulative. Except as expressly provided in this Agreement, no party will be prohibited from exercising any rights or remedies provided under this Agreement or permitted under law or equity.

**19.14 Choice of Laws.** You and we agree on the practical business importance of certainty as to the law applicable to your and our relationship and its possible effect on the development and competitive position of the System. Therefore, you and we also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning you and us, will be governed by, and construed and enforced in accordance with, the laws of Delaware.

You and we agree that this provision will be enforced without regard to the laws of such state relating to conflicts of laws or choice of law; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) will not apply unless such state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section.

**19.15 Application of Agreement to Parties and Others; Joint and Several Liability.**

A) The rights and obligations of this Agreement run directly between you and us and are not intended to create any third-party beneficiary or similar rights or obligations unless specifically expressed in this Agreement; except that the protections which apply to us relating to indemnification and/or releases will also apply to any past, current and/or future Franchisor-Related Persons/Entities as if they were expressly named beneficiaries thereof.

B) We have the right to elect in our sole determination to not enforce (or to selectively enforce) any provision of this or any Agreement, standard or policy, whether with respect to you and/or any other franchisee or other person, in a lawful manner without liability.

C) If two or more persons are at any time the Franchisee or the Franchisee owners, all of their obligations and liabilities under this or any other agreement with us and/or any Franchisor-Related Persons/Entities will be joint and several.

**19.16 Integration/Entire Agreement.**

A) This Agreement and the preambles, exhibits and attachments hereto, contain the final, complete and exclusive expression of the terms of your and our agreement relating to the subject matter contemplated hereby, and the final, complete and exclusive expression of your and our intent, and entirely supersedes and replaces any and all prior and/or concurrent understandings, agreements or otherwise (whether oral or written) between you and us; provided, however, that nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnish to you.

B) The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Rhode Island, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**20. NOTICES AND PAYMENTS.**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals will be deemed so delivered at the time delivered by hand, immediately on transmission by facsimile transmission or other electronic system, including e-mail or any similar means, one (1) business day after being placed in the hands of a commercial courier service for overnight delivery, or three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to us at

Relax The Back Corporation, 4600 East Conant Street, Long Beach, California 90808, (or our then-current headquarters), to the attention of the President, and to you at your Relax The Back Store. Until your Relax The Back Store has opened for business, we may send you notices at any address appearing in your application for a franchise or in our records. All payments and reports required by this Agreement will be directed to us at our address as specified above. Any required payment or report not actually received by us during regular business hours on the date due will be deemed delinquent. Notice to any one Franchisee, or owner of the Franchisee, shall be deemed effective as to all Relax The Back Franchises owned by Franchisee and/or all owners of the Franchisee. Any party may change its address for receipt of notices by providing prior written notice of such change to the other party.

**21. NO FIDUCIARY RELATIONSHIP.**

You and we do not have a fiduciary, agency or similar relationship (any such and/or similar relationships being expressly disavowed). You understand and agree that neither this Agreement nor anything else creates, or is intended to create, a fiduciary or agency relationship between you and us, that no such relationship exists or will exist, that you and we are and will be independent businesses, and that nothing in this Agreement is intended to or will make either you or us a general or special agent, joint venturer, partner, employee or fiduciary of or for the other for any purpose. The relationship between you and us is an ordinary commercial relationship between independent businesspeople intended for mutual but independent economic benefit and is not in any sense, nor is intended to be, a fiduciary, trust or similar special relationship, each party has dealt with each other at arm's length and as businesspersons with equivalent bargaining power, notwithstanding the relationship of Franchisor and Franchisee, and you have alternative business opportunities (some of which are franchised) which you have investigated and in which you can invest.

**22. PROHIBITED PARTIES.**

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals, (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders, (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions, or (d) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all employees, agents, representatives, and any other person or entity associated with you not to, during the term of this Agreement, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

*[SIGNATURE PAGE TO FOLLOW]*

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**EXHIBIT 1.2 (B)**  
**OWNER'S GUARANTY AND ASSUMPTION OF**  
**CORPORATE FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution by Relax The Back Corporation, a Delaware corporation, ("Franchisor") of the franchise agreement of even date herewith (as amended, modified, restated or supplemented from time to time, the "Agreement") between Franchisor and \_\_\_\_\_, a(n) \_\_\_\_\_ corporation (the "Corporate Franchisee"), each of the undersigned hereby personally and unconditionally, jointly and severally: (1) guarantees to Franchisor, its affiliates, the Franchisor-Related Persons/Entities (as defined in the Agreement) and each of their successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the undersigned will be bound by, and punctually pay and perform, each and every undertaking, agreement and covenant set forth in the Agreement; (2) agrees to be personally bound by, and personally liable for, the breach of, each and every provision in the Agreement; and (3) agrees to be personally bound by, and personally liable for, each obligation of the Corporate Franchisee to Franchisor and/or any company affiliated with Franchisor, including all past, current and/or future obligations of the Corporate Franchisee, the undersigned intending that this guarantee be unqualifiedly general and without limitation in scope, nature and/or effect. Franchisor (and/or its affiliates) need not bring suit first against the undersigned in order to enforce this guarantee and may enforce this guarantee against any or all of the undersigned as it chooses.

Each of the undersigned waives:

- (1) acceptance and notice of acceptance by Franchisor, of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right the undersigned may have to require that an action be brought against Franchisor, Corporate Franchisee or any other person as a condition of liability; and
- (5) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty will be joint and several;
- (2) he and/or she will render any payment or performance required under the Agreement on demand if the Corporate Franchisee fails or refuses to do so punctually;
- (3) such liability will not be contingent or conditioned on pursuit by Franchisor of any remedies against the Corporate Franchisee or any other person;
- (4) such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time-to-time grant to the Corporate Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which will be continuing and irrevocable during the term of the Agreement;
- (5) the liabilities and obligations of the undersigned, whether under this document or otherwise, will not be diminished or otherwise affected by the amendment, restatement, modification, waiver, termination, rescission, expiration or otherwise of the Agreement;

(6) the provisions of Sections 19 and 21 of the Agreement are incorporated in and will apply to this document as if fully set forth herein and shall apply to any dispute involving the Franchisor and any of the undersigned; and

(7) this guarantee is binding upon the undersigned and each of its respective executors, administrators, heirs, beneficiaries, and successors in interest.

IN WITNESS WHEREOF, each of the undersigned has here unto affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP OF CORPORATE FRANCHISEE
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

Corporate Franchisee:

\_\_\_\_\_, a \_\_\_\_\_ corporation.

By \_\_\_\_\_

Its \_\_\_\_\_

Individual Franchisee

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

The undersigned, as the spouse of the Guarantor(s) indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

_____ Name of Guarantor
_____ Name of Guarantor's Spouse
_____ Signature of Guarantor's Spouse

_____ Name of Guarantor
_____ Name of Guarantor's Spouse
_____ Signature of Guarantor's Spouse

**EXHIBIT 2.2**  
**TERRITORY ADDENDUM**

The Store Site is:

\_\_\_\_\_

(insert Store street address)

The “Territory” is as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Note: Boundary lines include only the area within the boundary line and extend only to the middle of the boundary demarcation (for example, only to the middle of a street or highway). You have no rights under this Agreement or otherwise with respect to a facility on the other side of the boundary line, street or highway or otherwise, and no matter how close to such boundary a facility may be, regardless of the distance from, impact on, or vicinity of, your Relax The Back Store or the number of Relax The Back Stores, other outlets or otherwise in any area or market.

If the site and Territory for your Store is not identified above by the Effective Date of the Franchise Agreement, you and we agree to amend this Exhibit within 15 days from our notice to you providing an acceptance of the Store location and identifying the related Territory, according to the terms of Section 2.2 of the Franchise Agreement.

You must look for a site for your Store only in the Store Vicinity.

The Store Vicinity is the area comprised of the following zip codes:

\_\_\_\_\_.

The Store Vicinity is identified so that we can properly administer our franchise operations and is only for the purposes of ensuring that you seek and locate a site for our approval within a specified geographical area. **It is not meant to be, nor is it, a franchise ‘territory’ of any sort.**

*[SIGNATURE PAGE TO FOLLOW]*

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**FRANCHISOR**

Relax The Back Corporation

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

\_\_\_\_\_  
Printed Name

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

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

**EXHIBIT 3.2**  
**LEASE ADDENDUM AGREEMENT**

This Lease Addendum Agreement (herein referred to as the “Addendum”) is entered into as of \_\_\_\_\_, 20\_\_, among \_\_\_\_\_, a \_\_\_\_\_ corporation having its principal offices at \_\_\_\_\_ (herein referred to as the “Landlord”), \_\_\_\_\_, a \_\_\_\_\_ corporation having its principal offices at \_\_\_\_\_ (herein referred to as the “Tenant”), and Relax The Back Corporation, a Delaware corporation, having its principal offices at 4600 East Conant Street, Long Beach, California 90808 (herein referred to as the “Franchisor”).

Recitals

A. WHEREAS, Landlord is granting Tenant lease rights for the premises located at \_\_\_\_\_, (herein referred to as the “Demised Premises”) under which Tenant is permitted to operate its franchised Relax The Back retail store pursuant to a Lease Agreement dated \_\_\_\_\_ (herein referred to as the “Lease”);

B. WHEREAS, Franchisor has granted Tenant the right to operate a franchised Relax The Back retail store at the Demised Premises pursuant to a Relax The Back franchise agreement (herein referred to as the “Franchise Agreement”); and

C. WHEREAS, Landlord, Tenant and Franchisor desire to enter into this Addendum to modify the Lease according to the following terms and conditions.

NOW, THEREFORE, in consideration of the foregoing recitals and in further consideration of the mutual terms and conditions set forth below, the parties agree as follows:

Agreement

1. **Lease Modification.** The Lease between Landlord and Tenant is hereby modified as set forth herein. Except as specifically referenced herein, all terms and conditions of the Lease shall continue to be in full force and effect. The terms of this Addendum shall control over any conflicting terms contained in the Lease. Except as specifically stated herein, Franchisor shall have no rights or obligations under the Lease. The defined terms, as used in this Addendum, shall have the same meaning as defined in the Lease, unless specifically stated otherwise in this Addendum.

2. **Notices.** Landlord shall send Franchisor copies of all notices, invoices, correspondence and notices of default under the Lease at the same time it provides Tenant with such notice. For notices of default, Franchisor shall have an additional 30 days from the expiration of Tenant’s cure period to cure the default or violation. If Franchisor elects to cure Tenant’s default, Tenant shall be liable for all costs, fees (including legal fees) and expenses incurred by Franchisor to effect a cure.

3. **Tenant Signage.** Tenant shall have the right to install and display in and on the Demised Premises such signs and advertising materials, which are generally used by Tenant and approved by Franchisor in connection with the operation and identity of a Relax The Back retail store, provided they are in compliance with all applicable governmental rules and regulations.

4. **Assignment; Sublease.** Tenant may not assign or lease all or any part of the Demised Premises or any of Tenant’s rights under the Lease without the prior written consent of both Landlord and Franchisor, which consent by either Landlord or Franchisor may be withheld in that party’s respective, reasonable determination. Tenant acknowledges and agrees that any subtenant or assignee of Tenant must satisfy independent and separate conditions imposed by Landlord in accordance with the lease regarding tenant qualifications and the independent and separate

conditions imposed by Franchisor as to its policies regarding Relax The Back franchisee qualifications. Tenant acknowledges and agrees that any assignment or sublease of the Demised Premises must be to a party that also agrees to execute a Relax The Back franchise agreement and to operate a Relax The Back retail store from the Demised Premises.

5. **Cross-Default.** Tenant acknowledges and agrees that any material breach by Tenant of its obligations under the Lease or this Addendum shall also constitute a breach of the Franchise Agreement.

6. **Assignment and Transfer to Franchisor.** Landlord acknowledges that Tenant intends to operate an a Relax The Back Store in the Demised Premises, and that Tenant's rights to operate a Relax The Back Store and to use the Relax The Back name, trademarks and service marks (the "Marks") are solely pursuant to the Franchise Agreement between Tenant and Franchisor. Tenant's operations at the Demised Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Demised Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights or remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

7. **Termination of Franchise Agreement; Expiration or Non-Renewal of Lease.**

(a) If the Franchise Agreement is terminated for any reason during the term of the Lease or any renewal or extension thereof, Franchisor shall promptly give Landlord written notice thereof. Within 30 days after receipt of such notice, Landlord shall give Franchisor written notice specifying any defaults of Tenant under the Lease. If Franchisor elects to assume the Lease, Franchisor must cure said defaults consistent with paragraph 2 above. If Franchisor elects to assume the Lease, Landlord will promptly deliver possession of the Demised Premises to Franchisor, whereupon Franchisor shall commence paying rent.

(b) If the Lease contains term renewal or extension right(s) and if Tenant allows the term to expire without exercising said right(s), Landlord shall give Franchisor written notice thereof, and Franchisor shall have the option, for 30 days after receipt of said notice, to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If Franchisor elects to exercise such right(s), it shall so notify Landlord in writing, whereupon Landlord and Franchisor shall promptly execute and deliver an agreement whereby Franchisor assumes the Lease, effective at the commencement of the extension or renewal term.

8. **Removal of Signs by Franchisor.** Notwithstanding anything to the contrary contained in this Addendum or the Lease, upon the termination of the Franchise Agreement for any reason, and with forty-eight (48) hours notice to Landlord, Franchisor shall have the right to enter into the Demised Premises, without being guilty of trespass and without incurring any liability to Landlord except for any damages caused by Franchisor's willful misconduct or gross negligence, to remove all signs, assets and other materials that bear the name, trademarks or service marks of Franchisor or that contain proprietary information of Franchisor.

9. **Assignment.** All rights of Franchisor shall inure to its benefit and to the benefit of its successors and assigns. Franchisor may assign its rights under this Assignment to any designee.

10. **Effective Date.** This Addendum is effective as of the first date written above.

[Signatures appear on the following page.]

**“Landlord”**

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

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

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

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

**“Tenant”**

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

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

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

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

**i) “Franchisor”**

Relax The Back Corporation

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

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

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

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

**EXHIBIT 9.4**  
**ACH AUTHORIZATION**

The undersigned depositor (“**Depositor**”) hereby authorizes **RELAX THE BACK CORPORATION**, or its lawful successors and assigns (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) to debit such account pursuant to Franchisor’s instructions.

Depository: _____	Branch: _____
Address: _____ _____	City, State, Zip Code: _____ _____
Telephone Number: _____	
Bank Transit/ABA Number: _____	Account Number: _____

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity on which to act. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor:	Depository:
By: _____	By: _____
Title: _____	Title: _____
Date: _____	Date: _____

**EXHIBIT B TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**FINANCIAL STATEMENTS**



Report of Independent Auditors and  
Financial Statements

**Relax the Back Corporation**

December 31, 2023, 2022, and 2021

## **Table of Contents**

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## **Report of Independent Auditors**

The Audit Committee of the Board of Directors  
Relax the Back Corporation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Relax the Back Corporation, which comprise the balance sheets as of December 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Relax the Back Corporation as of December 31, 2023, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Relax the Back Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Relax the Back Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Relax the Back Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Relax the Back Corporation's ability to continue as a going concern for a reasonable period of time.

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

*Moss Adams LLP*

Irvine, California  
March 28, 2024

**Relax the Back Corporation**  
**Balance Sheets**  
**December 31, 2023, 2022, and 2021**

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	2023	2022	2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 182,087	\$ 180,984	\$ 622,483
Accounts receivable, net of allowances for credit losses of \$36,001, \$0, and \$0, respectively	828,972	759,567	983,552
Inventories	85,239	121,198	130,104
Prepaid expenses and other	205,958	154,769	201,326
Notes receivable	-	-	8,756
Total current assets	1,302,256	1,216,518	1,946,221
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	491,481	356,785	90,640
OPERATING LEASE RIGHT-OF-USE ASSETS	479,973	-	-
DEPOSITS AND OTHER	18,800	18,800	18,800
DEFERRED INCOME TAXES, net	222,503	178,522	187,601
INTANGIBLE ASSETS, net	12,394	12,909	13,424
Total	\$ 2,527,407	\$ 1,783,534	\$ 2,256,686

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See accompanying notes.

**Relax the Back Corporation**  
**Balance Sheets (Continued)**  
**December 31, 2023, 2022, and 2021**

	2023	2022	2021
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 264,124	\$ 281,002	\$ 495,696
Accrued liabilities	626,111	606,553	788,460
Contract liabilities	403,493	272,716	319,592
Current operating lease liabilities	329,532	-	-
Total current liabilities	1,623,260	1,160,271	1,603,748
<b>NON-CURRENT OPERATING LEASE LIABILITIES</b>			
	329,955	-	-
Total liabilities	1,953,215	1,160,271	1,603,748
<b>STOCKHOLDER'S EQUITY</b>			
Series A preferred stock, \$.0001 par value, 300,000 shares authorized, none issued and outstanding	-	-	-
Series B preferred stock, \$.0001 par value, 956,213 shares authorized, 562,418 shares issued and outstanding, aggregate liquidation preference of \$1,310,648, \$1,231,887, and \$1,153,126, respectively	56	56	56
Series C preferred stock, \$.0001 par value, 407,052 shares authorized, none issued and outstanding	-	-	-
Common stock, \$.0001 par value, 15,000,000 shares authorized, 1,397,718 shares issued and outstanding	140	140	140
Additional paid-in capital	1,937,706	1,937,706	1,937,706
Retained earnings	3,983,201	3,680,519	3,559,778
Due from Parent Company (Note 6)	(5,346,911)	(4,995,158)	(4,844,742)
Total stockholder's equity	574,192	623,263	652,938
Total	\$ 2,527,407	\$ 1,783,534	\$ 2,256,686

See accompanying notes.

**Relax the Back Corporation**  
**Statements of Income**  
**Years Ended December 31, 2023, 2022, and 2021**

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	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Product sales, net of discounts and allowances	\$ 2,804,651	\$ 2,656,485	\$ 2,788,184
Franchise fees and royalties	3,072,365	3,548,823	4,060,971
Advertising fees	1,427,111	1,684,647	1,907,580
Vendor rebates	<u>901,427</u>	<u>863,721</u>	<u>1,111,617</u>
Total	8,205,554	8,753,676	9,868,352
COST OF REVENUES	<u>1,656,171</u>	<u>1,331,725</u>	<u>1,576,156</u>
Gross profit	6,549,383	7,421,951	8,292,196
OPERATING EXPENSES	<u>6,154,792</u>	<u>7,212,390</u>	<u>7,049,294</u>
INCOME FROM OPERATIONS	394,591	209,561	1,242,902
OTHER INCOME (EXPENSE)	<u>179</u>	<u>(22,564)</u>	<u>(200)</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	394,770	186,997	1,242,702
PROVISION FOR INCOME TAXES	<u>92,088</u>	<u>66,256</u>	<u>365,487</u>
NET INCOME	<u><u>\$ 302,682</u></u>	<u><u>\$ 120,741</u></u>	<u><u>\$ 877,215</u></u>

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See accompanying notes.

**Relax the Back Corporation**  
**Statements of Stockholder's Equity**  
**Years Ended December 31, 2023, 2022, and 2021**

	Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Due from Parent Company	Total
	Shares	Amount	Shares	Amount				
BALANCE, December 31, 2020	562,418	\$ 56	1,397,718	\$ 140	\$ 1,937,706	\$ 2,682,563	\$ (4,006,641)	\$ 613,824
Intercorporate tax allocation to Parent	-	-	-	-	-	-	378,416	378,416
Advances to Parent Company	-	-	-	-	-	-	(1,216,517)	(1,216,517)
Net income	-	-	-	-	-	877,215	-	877,215
BALANCE, December 31, 2021	562,418	56	1,397,718	140	1,937,706	3,559,778	(4,844,742)	652,938
Intercorporate tax allocation to Parent	-	-	-	-	-	-	57,176	57,176
Advances to Parent Company	-	-	-	-	-	-	(207,592)	(207,592)
Net income	-	-	-	-	-	120,741	-	120,741
BALANCE, December 31, 2022	562,418	56	1,397,718	140	1,937,706	3,680,519	(4,995,158)	623,263
Intercorporate tax allocation to Parent	-	-	-	-	-	-	136,036	136,036
Advances to Parent Company	-	-	-	-	-	-	(487,789)	(487,789)
Net income	-	-	-	-	-	302,682	-	302,682
BALANCE, December 31, 2023	562,418	\$ 56	1,397,718	\$ 140	\$ 1,937,706	\$ 3,983,201	\$ (5,346,911)	\$ 574,192

See accompanying notes.

**Relax the Back Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023, 2022, and 2021**

	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 302,682	\$ 120,741	\$ 877,215
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	69,047	63,568	102,037
Non-cash operating lease expense	179,514	-	-
Credit loss expense (recovery)	38,362	-	(8,337)
Deferred income taxes	(43,981)	9,079	(12,929)
Intercorporate tax allocation to Parent	136,036	57,176	378,416
Changes in operating assets and liabilities			
Accounts receivable	(107,767)	223,985	300,851
Inventories	35,959	8,906	(39,591)
Prepaid expenses and other	(51,189)	12,628	47,333
Accounts payable	(16,878)	(214,694)	130,976
Accrued liabilities	19,558	(181,907)	140,297
Contract liabilities	130,777	(46,876)	(15,139)
Net cash provided by operating activities	<u>692,120</u>	<u>52,606</u>	<u>1,901,129</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	(203,228)	(295,269)	(96,914)
Increase in intangible assets	-	-	(12,019)
Principal repaid on notes receivable	-	8,756	4,127
Net cash used in investing activities	<u>(203,228)</u>	<u>(286,513)</u>	<u>(104,806)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in Due from Parent Company	(487,789)	(207,592)	(1,216,517)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,103	(441,499)	579,806
<b>CASH AND CASH EQUIVALENTS</b>			
at beginning of year	<u>180,984</u>	<u>622,483</u>	<u>42,677</u>
<b>CASH AND CASH EQUIVALENTS</b>			
at end of year	<u>\$ 182,087</u>	<u>\$ 180,984</u>	<u>\$ 622,483</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>			
Prepaid expenses transferred to property and equipment	<u>\$ -</u>	<u>\$ 33,929</u>	<u>\$ -</u>

See accompanying notes.

# Relax the Back Corporation

## Notes to Financial Statements

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### Note 1 – Nature of Operations

Relax the Back Corporation (the “Company”) was incorporated in the state of Delaware on November 17, 2000. All of the outstanding stock of the Company is owned by Interactive Health, Inc., which is referred to as the Parent Company herein. See Note 6 for “Related-Party Transactions” between the Company and the Parent Company.

The Company is principally engaged in franchising retail stores that improve the customers’ quality of life through ergonomic and wellness products. The Company derives revenue from its online website store. The Company also derives revenues from franchise fees, franchise royalties, and advertising fees based on a percentage of franchisee sales, as defined in the franchise agreement. The Company also generates revenues through rebate and co-op advertising programs, generally based on a percentage of its franchisee purchases from its vendors. During the years ended December 31, 2023, 2022, and 2021, revenue was collected from 81, 81, and 83 franchisees, respectively, of which two stores were owned by Human Touch, LLC (“HT”), a wholly owned subsidiary of the Parent Company. All of the franchised retail stores are located in the United States, except for one franchised retail store located in Canada.

### Note 2 – Summary of Significant Accounting Policies

**Basis of presentation** – The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). References to “ASC” included hereinafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

**Use of estimates** – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents** – The Company considers all highly liquid investments with original maturities up to 90 days at the time of purchase to be cash equivalents. Cash and cash equivalent balances are maintained at financial institutions, which at times may exceed federally insured limits; however, the Company has not experienced any losses on these balances.

**Accounts receivable** – Accounts receivable are carried at original advertising fees, vendor rebates, franchise fees, and franchise royalty amounts less allowances for credit losses and other deductions based on a review of all outstanding amounts. Management determines the allowance for credit losses by regularly evaluating individual franchisee receivables and considering a franchisee’s financial condition, credit risk, aging of trade receivables, and current economic conditions. Accounts receivable are written off against the allowance when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. In the event of non-payment from a franchisee, the Company may put the franchisee in default of the franchise agreement and exercise their rights thereunder, which includes converting the past due amounts into an interest-bearing note.

## Relax the Back Corporation

### Notes to Financial Statements

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**Concentrations of sales and credit risk** – Accounts receivable represent amounts due from franchisees and expose the Company to credit risk to the extent that such amounts become uncollectible. The Company closely monitors the extension of credit to its franchisees while maintaining allowances for potential credit losses.

One franchisee owning 17 of the Company's franchise stores accounted for approximately 21%, 21%, and 23% of the Company's franchise fees and royalties for the years ended December 31, 2023, 2022, and 2021, respectively, and approximately 22%, 24%, and 25% of the Company's advertising fees for the years ended December 31, 2023, 2022, and 2021. At December 31, 2023, 2022, and 2021, total accounts receivable due from this franchisee amounted to approximately \$226,000, \$246,000, and \$329,000, respectively.

Another franchisee owning 12 of the Company's franchise stores accounted for approximately 11%, 10%, and 14% of the Company's franchise fees and royalties for the years ended December 31, 2023, 2022, and 2021, respectively, and approximately 11%, 11%, and 14% of the Company's advertising fees for the years ended December 31, 2023, 2022, and 2021. At December 31, 2023, 2022, and 2021, total accounts receivable due from this franchisee amounted to approximately \$95,000, \$56,000, and \$83,000, respectively.

**Inventories** – Inventories consist of back care product finished goods and are valued at the lower of cost (first-in, first-out) or net realizable value.

**Concentration of major supplier** – For the years ended December 31, 2023 and 2022, the Company purchased 22% and 15%, respectively, of its inventory from the Company's Parent Company. For the year ended December 31, 2021, the Company purchased 13% of its inventory from the Company's Parent Company and 19% of its inventory from one unrelated supplier. The supplier's outstanding accounts payable balance was approximately \$59,000 at December 31, 2021.

**Notes receivable** – Notes receivable are stated at unpaid principal balances, less the allowance for loan losses. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the balance of the notes. The amount of the allowance is based on management's evaluation of the collectability of the individual franchisee note balances and its consideration of the franchisee's financial condition, credit history, and current economic conditions. Notes are considered past due or delinquent when the note holder has not made timely cash payments on the note.

**Property and equipment** – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, generally ranging from two to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

## Relax the Back Corporation

### Notes to Financial Statements

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**Capitalized website development costs** – The Company capitalizes the costs of website development, which relate to application and infrastructure development, graphics development, and software integration. The Company expenses costs related to planning, content input, data conversion, and operations, and amortizes the capitalized website costs on a straight-line basis over an estimated useful life of two to seven years.

**Long-lived assets** – Long-lived assets to be held and used are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. No impairments were recorded during the years ended December 31, 2023, 2022, and 2021.

**Intangible assets** – Intangible assets consist of trademark, trade names, and domain names and are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over their estimated useful lives of 10 to 15 years. Intangible assets that have finite lives are subject to testing for impairment if events and circumstances indicate a possible impairment. No impairments were identified during the years ended December 31, 2023, 2022, and 2021.

**Revenue recognition** – The Company accounts for revenues under FASB ASC Topic 606, *Revenue from Contracts with Customers (ASC 606)*. The core principle of ASC 606 is that a reporting entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services, as more fully described below.

*Product sales* – Product sales consist primarily of catalog and e-commerce sales and are recorded upon shipment of merchandise when control of the product transfers to the customer, depending on the terms of each sale, and when collection is probable. The Company reserves for sales returns through estimates based on historical experience and various other assumptions that management believes to be reasonable. The Company elected the practical expedient of accounting for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations. Accordingly, shipping and handling fees are accrued for at time of shipment ensuring that the expense associated with the costs to ship the goods are recognized at the same time the revenue is recognized. Shipping and handling fees charged to customers will continue to be recorded as revenue.

*Franchise fees and royalties* – Franchise fees revenue consists primarily of initial and renewal franchise fees and transfer fees. Franchise agreements are for a 5 to 10-year term, with subsequent renewals available subject to approval. A franchisee may generally renew its agreement upon expiration. Under ASC 606, initial and renewal franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The franchise agreements typically have various performance obligations. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property. Training, pre-opening marketing advice, and manuals provided under the franchise agreement are highly interrelated with the Company's intellectual property and therefore, management has concluded this is generally not distinct from the license of the intellectual property. Franchise royalties are recognized monthly and the royalty fee is fixed based on the agreed-upon royalty rate on amounts indicated in the franchise agreements.

## Relax the Back Corporation

### Notes to Financial Statements

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*Advertising fees* – Advertising fees are revenues earned from a monthly marketing service fee charged to ongoing franchisees based on a rate agreed upon in the franchise agreements. The fees collected can only be used to advertise and promote franchise stores. Advertising fees are recognized monthly in the period of the related franchise store sales.

*Vendor rebates* – Vendor rebates are monthly revenue generated from vendors who participate in marketing programs and the revenue is based on the agreed-upon rates on the vendor sales to the franchise stores. Vendor rebates are recognized monthly in the period of the related vendor sales to the franchise stores.

**Contract liability** – Contract liability is a liability to a revenue producing activity for which revenue has not yet been recognized and consists primarily of unearned franchise fees and customer deposits. The Company records a contract liability when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in accordance with U.S. GAAP.

The following table reflects the change in contract liabilities for the years ended December 31, 2023, 2022, and 2021:

BALANCE, January 1, 2021	\$	334,731
Revenue recognized that was included in deferred revenue at beginning of the year		(136,396)
Increase, excluding amounts recognized as revenue during the year		121,257
BALANCE, December 31, 2021		319,592
Revenue recognized that was included in deferred revenue at beginning of the year		(107,036)
Increase, excluding amounts recognized as revenue during the year		60,160
BALANCE, December 31, 2022		272,716
Revenue recognized that was included in deferred revenue at beginning of the year		(59,047)
Increase, excluding amounts recognized as revenue during the year		189,824
BALANCE, December 31, 2023	\$	403,493

## Relax the Back Corporation

### Notes to Financial Statements

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The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2023:

Contract liabilities to be recognized in	
2024	\$ 203,004
2025	49,959
2026	40,322
2027	20,917
2028	20,084
Thereafter	<u>69,207</u>
Total	<u><u>\$ 403,493</u></u>

**Advertising and sales promotion costs** – Advertising and sales promotion costs are charged to operations as incurred, except for costs related to the Company’s catalog mail order activities, which are deferred and amortized to expense in the periods in which catalogs are distributed. Advertising and sales promotion costs are included in operating expenses.

During the years ended December 31, 2023, 2022, and 2021, total advertising costs charged to expense was approximately \$2,082,000, \$3,312,000, and \$3,071,000, respectively.

**Income taxes** – The Company is part of the Parent Company’s consolidated group for filing income tax returns; however, the Company’s financial statements recognize the current and deferred tax expense as if the Company were a separate taxpayer. Under this method, the Company is assumed to file a separate income tax return with the taxing authorities. The amount of separate company income tax receivable or payable has been reflected as a related-party receivable or payable to the Parent Company. The Company also provides deferred taxes on its temporary differences and on any carryforwards that it could claim on its hypothetical separate return. The Company also assesses the need for a valuation allowance on the basis of its projected separate results as well as tax planning strategies that may exist.

**Uncertain tax positions** – The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the positions. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

**Recently adopted accounting pronouncements** – In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which introduced the current expected credit losses (CECL) methodology for estimating allowances for credit losses. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to Topic 326 are trade accounts receivable. The Company adopted this ASU effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

## **Relax the Back Corporation**

### **Notes to Financial Statements**

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**Leases** – Under Topic 842, the Company determines whether the arrangement is or contains a lease at inception. Operating and finance leases will be recognized on the balance sheets as right-of-use (ROU) assets and lease liabilities. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company will utilize the risk-free rate, a rate for a U.S. Treasury security for a similar term, as permitted by Topic 842. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Commencing in December 2023, the Company leases retail spaces under agreements classified as operating leases that expire on various dates through 2025. Such leases generally do not require contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right-of-use assets unless the Company is reasonably certain to be exercising the options. Variable expenses generally represent the Company's share of the landlord's operating expenses. The Company has elected the short-term lease recognition exemption for certain leases which are less than 12 months in duration or month-to month. This means, for those leases that qualify, ROU assets or lease liabilities will not be recognized.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 28, 2024, which is the date the financial statements were available to be issued.

## Relax the Back Corporation

### Notes to Financial Statements

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#### Note 3 – Property and Equipment

Property and equipment consists of the following:

	December 31,		
	2023	2022	2021
Website and software	\$ 1,186,817	\$ 1,175,068	\$ 1,072,489
Projects in progress	405,197	223,930	-
Computer and other equipment	42,228	33,987	31,840
Leasehold improvements	25,593	25,593	25,593
Furniture and fixtures	3,705	1,735	1,192
	1,663,540	1,460,313	1,131,114
Less: accumulated depreciation and amortization	(1,172,059)	(1,103,528)	(1,040,474)
	\$ 491,481	\$ 356,785	\$ 90,640

For the years ended December 31, 2023, 2022, and 2021, depreciation and amortization expense was approximately \$69,000, \$64,000, and \$102,000, respectively.

#### Note 4 – Stockholders' Equity

**Preferred stock** – The Company has authorized 3,000,000 shares of preferred stock. The Company has designated 300,000 shares, 956,213 shares, and 407,052 shares of preferred stock as Series A, Series B, and Series C, respectively. The remaining shares of preferred stock may be issued from time to time in one or more series. The Series A, Series B, and Series C preferred stock are not to be convertible into common stock or any other security of the Company. In addition, the Series A, Series B, and Series C preferred stock have no voting rights.

The holders of Series B preferred stock are entitled to receive, if and when declared, cumulative dividends of \$0.01167 per share per month. No dividend shall be paid to the holders of common stock unless all accrued but unpaid dividends on shares of the Series B preferred stock have been paid or declared and set aside for payment. At December 31, 2023, 2022, and 2021, accumulated but undeclared dividends on Series B preferred stock totaled \$748,230 (\$1.33 share), \$669,469 (\$1.19 share), and \$590,708 (\$1.05 per share), respectively.

In the event of any liquidation, dissolution, or winding up of the Company, the holders of Series B preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series C preferred stock, if any outstanding, or common stock, the amount of \$1.00 per share plus all accrued but unpaid dividends.

## Relax the Back Corporation

### Notes to Financial Statements

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#### Note 5 – Commitments and Contingencies

**Leases** – The Company’s corporate employees operate within the Parent Company facility (Note 6). Commencing in December 2023, the Company entered into two new leases of retail space under non-cancelable operating leases, which expire on various dates through December 2025.

Lease cost amounted to approximately \$22,000 for the year ended December 31, 2023, which is included in operating expenses on the accompanying statements of income.

The following table provides the supplemental information related to leases at or for the year ended December 31, 2023:

Cash paid (received) for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ (157,650)
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	\$ 500,016
Weighted-average remaining lease term	
Operating leases	1.94
Weighted-average discount rate	
Operating leases	4.37%

As of December 31, 2023, future minimum payments required under operating leases are as follows:

	Operating Leases
2024	\$ 350,540
2025	336,154
	686,694
Total future minimum lease payments	686,694
Less: imputed interest	(27,207)
	659,487
Total lease liabilities	659,487
Less: current portion	(329,532)
	329,955
Long-term portion	\$ 329,955

## **Relax the Back Corporation**

### **Notes to Financial Statements**

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**Contingencies and litigation** – Certain claims have been filed against the Company in the ordinary course of business. None of the claims are from the franchise owners. The Company is vigorously defending against all claims. In the opinion of management, these matters would not have a material effect on the financial position or results of operations of the Company if disposed of unfavorably.

**Marketing fund** – Pursuant to the franchise agreements, the Company administers a marketing fund for advertising, marketing and public relations programs, services, and materials to promote the Relax the Back stores. Amounts presented as advertising fees and vendor rebates on the accompanying statements of income are contributed to the marketing fund and must be expended only for such purposes authorized by the franchise agreements, including administrative costs, overhead, and other expenses pertaining to such marketing activities, with no profit, gain, or other benefit directly accruing to the Company. The Company has the sole determination over all matters that relate to the marketing fund. The Company may spend in any fiscal year an amount greater or less than the aggregate contributions to the marketing fund in that year with amounts over-spent or under-spent carrying over to subsequent periods. During the years ended December 31, 2023, 2022, and 2021, the marketing fund generated net income (loss) of approximately \$113,000, (\$752,000), and (\$105,000), respectively, which is included in the results of operations and cash flows on the accompanying financial statements. As of December 31, 2023, 2022, and 2021, the marketing fund had a balance of \$0, \$0, and \$391,000, respectively, exclusive of amounts due to the Company from the marketing fund, which is included in cash and cash equivalents on the accompanying balance sheets.

**Co-borrower arrangements** – During 2021, the Company, together with HT, entered into a loan agreement with a lending institution (the “LOC”). Under the Agreement, the Company and HT may borrow up to a maximum revolving facility amount of \$6,000,000, subjected to adjustments for reserves and the borrowing base. The loan bears interest at a rate equal to the Prime Rate plus 1.5% per annum, with a prime floor of 3.5%, provided that the interest rate in effect on any day shall not be less than 5.00% per annum. The Agreement is secured by substantially all of the assets of the Company and HT. On February 16, 2023, the Company, together with HT, executed a fourth amendment to the credit agreement which increased the maximum revolving facility amount to \$7,500,000, and extended the expiration date to June 24, 2025. The outstanding balance of the revolving loan at December 31, 2023, 2022, and 2021, was \$2,761,292, \$2,387,410, and \$1,547,275, respectively, and is reported on HT’s financial statements.

#### **Note 6 – Related-Party Transactions**

**Due from Parent Company** – The Company receives funds and makes payments to the Parent Company based on cash flow needs and availability in the ordinary course of business. At times, the Parent Company may pay for certain general and administrative-related costs on behalf of the Company. Due to the related-party nature of these transactions, the operating results or financial position of the Company could be significantly different from that which would have been obtained if the entities were autonomous. The balances resulting from these transactions are unsecured, non-interest bearing, and are paid on a regular basis upon demand. During the years ended December 31, 2023, 2022, and 2021, the Company purchased approximately \$289,000, \$158,000, and \$174,000, respectively, of inventory from the Parent Company.

## Relax the Back Corporation

### Notes to Financial Statements

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Management of the Parent Company concluded that they do not have the intent to repay such amounts. Accordingly, the amount is classified as an offset to stockholder's equity. Amounts paid to the Parent Company have been presented as an increase in the Due from Parent Company. During the years ended December 31, 2023, 2022, and 2021, the Company recorded an intercorporate tax payable of \$136,069, \$57,176, and \$378,416, respectively, which decreased the amount due from the Parent Company (Note 7).

#### Note 7 – Income Taxes

For the years ended December 31, 2023, 2022, and 2021, the provision for income taxes consists of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current			
Federal	\$ 100,175	\$ 51,026	\$ 244,462
State	35,894	6,151	133,954
	<u>136,069</u>	<u>57,177</u>	<u>378,416</u>
Deferred			
Federal	(30,089)	(956)	3,607
State	<u>(13,892)</u>	<u>10,035</u>	<u>(16,536)</u>
	<u>(43,981)</u>	<u>9,079</u>	<u>(12,929)</u>
	<u>\$ 92,088</u>	<u>\$ 66,256</u>	<u>\$ 365,487</u>

At December 31, 2023, 2022, and 2021, deferred income taxes, net, consist of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred tax assets (liabilities)			
Lease liabilities	\$ 170,899	\$ -	\$ -
Allowance of doubtful accounts	9,329	(612)	(628)
Other current differences	66,078	69,745	94,816
Deferred revenue	66,412	65,139	66,805
Other	23,597	42,164	35,783
Property and equipment and accumulated depreciation	10,568	2,086	(9,175)
ROU assets	<u>(124,380)</u>	<u>-</u>	<u>-</u>
	<u>\$ 222,503</u>	<u>\$ 178,522</u>	<u>\$ 187,601</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

## **Relax the Back Corporation**

### **Notes to Financial Statements**

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A valuation allowance is recorded when it is more likely than not some of the deferred tax assets may not be realized. Significant judgment is applied when assessing the need for a valuation allowance and the Company considers all available positive and negative evidence, including future taxable income, reversals of existing deferred tax assets and liabilities and ongoing prudent and feasible tax planning strategies in making such assessment. Should a change in circumstances lead to a change in judgment regarding the utilization of deferred tax assets in future years, the Company will adjust the related valuation allowance in the period such change in circumstances occurs. As of December 31, 2023, 2022, and 2021, the Company has not recognized a valuation allowance on its deferred tax assets as it is more likely than not such deferred tax assets will be realized.

The provision for income taxes differs from the expense that would result from applying the federal statutory rate to income before income tax, primarily due to state income tax expense.

The Company files federal and state consolidated income tax returns as a member of an affiliated group and utilizes the separate return method for applying intercorporate allocations under ASC 740, *Income Taxes*. During the years ended December 31, 2023, 2022, and 2021, the Company increased its inter-company taxes payable by \$136,069, \$57,176, and \$378,416, respectively.

The Company recognizes interest and penalties pertaining to uncertain tax positions as a component of income tax expense. At December 31, 2023, 2022, and 2021, cumulative interest and penalties have been deemed insignificant. The Company's federal and state corporate income tax statute of limitations is open, and expires in various years, depending on the applicable jurisdiction. The Company maintains uncertain tax positions pertaining to states for which it had nexus, but did not file tax returns in current and prior years. Such uncertain tax positions may change in the next twelve months as statutes of limitations lapse upon amendment and filing of tax returns in applicable federal and state jurisdictions.

#### **Note 8 – Subsequent Events**

**Store openings and closings** – In February 2024, one franchisee owned store was opened, and 7 franchisee owned stores were closed. Additionally, two HT-owned Relax the Back stores were opened – one in Maryland, and the other in Virginia.

**EXHIBIT C TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**LIST OF CURRENT FRANCHISEES**

**FRANCHISEE STORE LISTING – BY STATE (AS OF DECEMBER 31, 2023)**

	State	First Name	Last Name	Address	City	Zip	Phone
1.	AL	Robert	Duncan	1425 Montgomery Hwy, 129	Vestavia Hills	35216	205-979-3222
2.	AZ	Tony	Ricci	1744 S Val Vista, Suite 115	Mesa	85204	480-361-6121
3.	AZ	Tony	Ricci	100 East Camelback Rd, Suite 176	Phoenix	85012	602-277-7989
4.	AZ	Tony	Ricci	15435 North Scottsdale Rd Ste 140	Scottsdale	85254	480-483-0818
5.	AZ	Tony	Ricci	4433 N. First Avenue, Ste. 103	Tucson	85719	520-887-2225
6.	AZ	Tony	Ricci	5420 E. Broadway Blvd., Ste. 210	Tucson	85711	520-747-2727
7.	CA	Pam/Nick	Hicks/Bahl	1403 C. Encinitas Blvd.	Encinitas	92024	760-633-2225
8.	CA	Pam & John/Nick	Hicks/Bahl	7682 Edinger Ave	Huntington Beach	92647	714-375-7344
9.	CA	Pam/Nick	Hicks/Bahl	8657 Villa La Jolla Drive <sup>1</sup>	La Jolla	92037	858-558-2225
10.	CA	Pam & John/Nick	Hicks/Bahl	28031 Greenfield Drive, Ste. A	Laguna Niguel	92677	949-425-1098
11.	CA	Robert & Jacqueline	Walker	1198 El Camino Real	Menlo Park	94025	650-325-2225
12.	CA	Pam & John	Hicks	240 South Lake Avenue	Pasadena	91101	626-793-1966
13.	CA	Pam/Nick	Hicks/Bahl	1201 University Avenue	San Diego	92103	619-299-2225
14.	CA	Pam & John/Nick	Hicks/Bahl	1765 Van Ness Ave	San Francisco	94109	415-776-2225
15.	CA	Pam & John/Nick	Hicks/Bahl	3905 State Street, Ste. 4	Santa Barbara	93105	805-682-2462
16.	CA	Pam & John/Nick	Hicks/Bahl	2519 Wilshire Blvd.	Santa Monica	90403-4615	310-315-2669
17.	CA	Pam/Nick	Hicks/Bahl	12109 Ventura Blvd.	Studio City	91604	818-763-2211
18.	CA	Pam & John/Nick	Hicks/Bahl	3320 E. Thousand Oaks Blvd.	Thousand Oaks	91362	805-494-4091
19.	CA	Pam & John/Nick	Hicks/Bahl	19019 Hawthorne Blvd, Ste. 100A	Torrance	90503	310-370-2225
20.	CA	Pam & John/Nick	Hicks/Bahl	2891 El Camino Real	Tustin	92782	714-734-4389
21.	CA	Robert & Jacqueline	Walker	1501-B N. California Blvd.	Walnut Creek	94596	925-935-5300
22.	CO	Patrick & Jeannette	Graham	8283 S. Akron St.	Centennial	80124	303-773-2225
23.	CO	Patrick & Jeannette	Graham	1234 E. Woodmen Road, Ste. 130	Colorado Springs	80920	719-574-0202
24.	CO	Patrick & Jeannette	Graham	320 S. Colorado Blvd., Unit C	Glendale	80246	303-355-2201
25.	CT	Doug & Meiyen	Faggian/Zheng	982 Farmington Avenue	West Hartford	06107-2102	860-236-3773
26.	DE	Gerry & Beverly	Austin	3916 Concord Pike	Wilmington	19803	302-477-1303
27.	FL	Ernest/Chuck	Jordan/Keyser	20533 Biscayne Blvd., Ste. 6	Aventura	33180	305-935-0001
28.	FL	Ernest/Chuck	Jordan/Keyser	2200 West Glades Road, Ste. 101	Boca Raton	33431	561-417-4404
29.	FL	Ernest/Chuck	Jordan/Keyser	212 Miracle Mile <sup>1</sup>	Coral Gables	33134	305-445-0445
30.	FL	David & Julie	Nodland	Coconut Point Mall 23050 Via Villaggio, #107	Estero	33928	239-498-2233
31.	FL	Ernes/Chuck/Stephen	Jordan/Keyser/ McCoy	1908 N Federal Hwy <sup>1</sup>	Ft Lauderdale	33304	305-629-9300
32.	FL	Ernest/Chuck	Jordan/Keyser	13619 So. Dixie Hwy., Ste. 129	Miami	33176	305-259-5535
33.	FL	Mike & Cory	Barry	4012 Eastgate Drive	Orlando	32839	407-345-1295
34.	FL	Ernest/Chuck	Jordan/Keyser	4550 PGA Blvd., Ste. 101	Palm Beach Gardens	33418	561-721-9889
35.	FL	Ernest/Chuck	Jordan/Keyser	214 S. University Drive	Plantation	33324	954-382-9900

	State	First Name	Last Name	Address	City	Zip	Phone
36.	GA	Andre	DeLara	7300 N. Point Parkway, Ste. 110	Alpharetta	30022	770-667-1405
37.	GA	Rick	German	3330 Piedmont Rd. N.E., #2	Atlanta-Buckhead	30305	404-848-7977
38.	GA	Greg	Brandt	13000 Ernest Barrett Parkway <sup>1</sup>	Kennesaw	30152	678-369-0086
39.	IL	ABP Corp – Ernest Jordan		1925 N. Clybourn Avenue <sup>1</sup>	Chicago	60614	773-348-2225
40.	IL	ABP Corp – Ernest Jordan		Springbrook Prairie Pavilion	Naperville	60540	630-527-1900
41.	IL	ABP Corp – Ernest Jordan		840 Willow Road	Northbrook	60062	847-205-2555
42.	KS	Tom & Teri	Adams	11010 Metcalf	Overland Park	66210	913-661-9490
43.	KY	Mark/Jennifer	Marshall	4142 Summit Plaza Drive	Louisville	40241	502.384.7928
44.	MI	William	Wahl	6566 Telegraph Road	Bloomfield Hills	48301	248-865-3380
45.	MI	Peter/Benjamin	Lowry	45215 Market Street	Shelby Township	48315	586-566-4318
46.	MO	Darren/Tara	Lunn	1646 Clarkson Rd.	Chesterfield	63017	636-728-0808
47.	MO	Darren/Tara	Lunn	#20 The Boulevard	Clayton	63117	314-727-4666
48.	NJ	David/Mary Rachel	Austin	1888 Mariton Pike East. , Ste. A	Cherry Hill	8003	856-489-3331
49.	NV	Chris	Lamb	8975 W. Charleston Blvd., Ste. 160	Summerlin	89117	702-641-2225
50.	NC	Nathan	Hamer	4435 Park Rd Ste 100	Charlotte	28209	704-523-3377
51.	OH	Brian/Angie	Miller	8613 Township Road 635	Fredericksburg	44627	330-674-2346
52.	OK	Ernest/Chuck/Stephen	Jordan/Keyser/McCoy	10505 N. May Avenue	Oklahoma City	73120	405-858-8828
53.	OK	Ernest/Chuck	Jordan/Keyser/McCoy	8421 E. 61st Street, Ste. S	Tulsa	74133	918-254-6570
54.	OR	Stacy	Ruelas	2750 S.W Cedar Hills Blvd.	Beaverton	97005	503-643-1088
55.	OR	Stacy	Ruelas	8422 SE Sunnyside	Clackamas	97015	503-303-5171
56.	PA	Gerry & Beverly	Austin	1016 W. Lancaster Ave.	Bryn Mawr	19010	610-896-5515
57.	SC	Ashley	Puleo	1129A Woodruff Road	Greenville	29607	864-987-0555
58.	SC	Todd & Pam	Lowery	1795 Hwy 17, North, Ste. 6	Mt Pleasant	29464	843-881-1866
59.	TN	Cristal	Jennings	4646 Poplar Ave, Ste. 125	Memphis	38117	901-683-8385
60.	TN	Glen	Word	2020 Glen Echo Road	Nashville	37215	615-460-0004
61.	TX	Amy & Jason	Caldwell	9607 Research Blvd. Building F, Ste. 140	Austin	78759	512-342-2225
62.	TX	Amy & Jason	Caldwell	12701 Hill Country Blvd., Ste. O-105	Austin	78738	512-263-8855
63.	TX	Jonathan/Hedy	Yun	5959 Royal Lane Suite 624 <sup>1</sup>	Dallas	75230	214-363-3746
64.	TX	Jonathan/Hedy	Yun	5100 Beltline Rd	Dallas (Addison)	75242	972-239-2225
65.	TX	Kevin	Dobson	5916 Curzon Avenue	Ft. Worth	76107	817-732-6797
66.	TX	Ernest/Chuck	Jordan/Keyser	5314 Kirby Dr.	Houston	77005	713-529-1525
67.	TX	Ernest/Chuck	Jordan/Keyser	780 W. Sam Houston Pkwy North	Houston	77024	713-461-5800
68.	TX	Ernest/Chuck	Jordan/Keyser	5000 Westheimer Rd., Suite 210 <sup>1</sup>	Houston	77056	713-552-1500
69.	TX	Ernest/Chuck	Jordan/Keyser	23501 Cinco Ranch Blvd Ste H-110	Katy	77494	281-693-6325
70.	TX	Steve & Kathy	Waldron	4210 82nd Street, Ste. 226	Lubbock	79423	806-791-5410

	State	First Name	Last Name	Address	City	Zip	Phone
71.	TX	Jonathan/Hedy	Yun	8240 Preston Rd., Ste. 105	Plano	75024	469-633-0070
72.	TX	Amy & Jason	Caldwell	255 E. Basse Rd., Ste. 1070	San Antonio	78209	210-822-1228
73.	TX	Jonathan/Hedy	Yun	2175 E. Southlake Blvd., Ste. 150	Southlake	76092	817-410-2400
74.	TX	Ernest/Chuck	Jordan/Keyser	9595 Six Pines Dr., Ste 1200 <sup>1</sup>	The Woodlands	77380	281-298-5000
75.	TX	Murray	Carstens	1402 Harvey Road	College Station	77840	979-696-3900
76.	UT	Matt	Dyson	4844 S. Highland Drive	Salt Lake City	84117	801-278-4567
77.	WA	Steve & Kevin	Cannata	1048 116th Avenue NE	Bellevue	98004	425-688-0247

- <sup>1.</sup> Since the end of our prior fiscal year, these Relax The Back Stores were terminated, not renewed, or otherwise ceased operations.

**Franchisees That Have Signed Agreements With Us, But Outlets Not Yet Opened**  
**(as of December 31, 2023)**

State	First Name	Last Name	Address	City	Zip	Phone
NY	Dr. Michael	Landi	5395 Sheridan Drive, #1A	Williamsville	14221	TBD

**EXHIBIT D TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR**

**FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR**

	<b>State</b>	<b>First Name</b>	<b>Last Name</b>	<b>City</b>	<b>Phone</b>	<b>Reason</b>
1.	CA	Pam/Nick <sup>2</sup>	Hicks/Bahl	La Jolla	858-558-2225	Not renewed
2.	CT	Mark	Inglis	Greenwich	203-629-2225	Ceased Operations
3.	FL	Ernest/Chuck <sup>2</sup>	Jordan/Keyser	Coral Gables	305-445-0445	Ceased Operations
4.	FL	Ernes/Chuck/Stephen <sup>2</sup>	Jordan/Keyser/McCoy	Ft Lauderdale	305-629-9300	Ceased Operations
5.	GA	Greg <sup>1</sup>	Brandt	Alpharetta	770-667-1405	Transfer
6.	GA	Greg <sup>2</sup>	Brandt	Kennesaw	678-369-0086	Termination
7.	IL	ABP Corp – Ernest Jordan <sup>2</sup>		Chicago	773-348-2225	Ceased Operations
8.	NV	Steve & Kevin <sup>1</sup>	Cannata	Summerlin	702-641-2225	Transfer
9.	NC	Steve & Laura	Kaplan	Charlotte	704-523-3377	Transfer
10.	OR	Linda	Dunham	Eugene	541-485-7441	Ceased Operations
11.	TX	Jonathan/Hedy <sup>2</sup>	Yun	Dallas	214-363-3746	Not renewed
12.	TX	Ernest/Chuck <sup>2</sup>	Jordan/Keyser	Houston	713-552-1500	Not renewed
13.	TX	Ernest/Chuck <sup>2</sup>	Jordan/Keyser	The Woodlands	281-298-5000	Not renewed
14.	UT	David	Stevenson	Salt Lake City	801-278-4567	Transfer

<sup>1</sup> This franchisee has one other location currently operating within the network.

<sup>2</sup> Since the end of our prior fiscal year, this Relax The Back Store was terminated, not renewed, or otherwise ceased operations.

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

**EXHIBIT E TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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

**EXHIBIT E**

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

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

**CALIFORNIA**

Department of Financial Protection &  
Innovation:  
1 (866) 275-2677

***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013  
(213) 576-7505

***Sacramento***

2101 Arena Blvd.  
Sacramento, California 95834  
(916) 445-7205

***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 610-2093

***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104  
(415) 972-8559

**HAWAII**

(agent for service of process)

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer  
Affairs  
Business Registration Division  
Securities Compliance Branch  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

(for other matters)

Business Registration Division  
Securities Compliance Branch  
Department of Commerce  
and Consumer Affairs  
P.O. Box 40  
Honolulu, Hawaii 96810  
(808) 586-2722

**ILLINOIS**

Franchise Bureau  
Office of the Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**INDIANA**

(state administrator)

Indiana Secretary of State  
Securities Division, E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

(agent for service of process)

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

### **MARYLAND**

(state administrator)

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner  
at the Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

### **MICHIGAN**

(state administrator)

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,  
Corporations and Securities Bureau  
P.O. Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

### **MINNESOTA**

Commissioner of Commerce  
Minnesota Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 296-6328

### **NEW YORK**

(state administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21st Fl  
New York, NY 10005  
(212) 416-8222

(agent for service of process)

Attn: New York Secretary of State  
New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231-0001  
(518) 473-2492

### **NORTH DAKOTA**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol – Fourteenth Floor – Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### **OREGON**

Department of Insurance and Finance  
Corporate Securities Section  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4387

### **RHODE ISLAND**

Division of Securities  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9582

**SOUTH DAKOTA**

Department of Labor and Regulation  
Division of Securities  
124 S. Euclid Street, Suite 104  
Pierre, South Dakota 57501  
(605) 773-4823

**VIRGINIA**

(state administrator)

State Corporation Commission  
Division of Securities  
and Retail Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
(804) 371-9672

**WASHINGTON**

(state administrator)

Washington Department of Financial Institutions  
Securities Division  
P.O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

(agent for service of process)

Director  
Department of Financial Institutions  
Securities Division  
150 Israel Road, S.W.  
Tumwater, Washington 98501

**WISCONSIN**

(state administrator)

Securities and Franchise Registration  
Wisconsin Department of Financial Institutions  
4022 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-1064

(agent for service of process)

Office of the Secretary  
Wisconsin Department of Financial Institutions  
P.O. Box 8861  
Madison, Wisconsin 53708-8861  
(608) 261-9555

**EXHIBIT F TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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    - Marketing and Selling
    - Merchandising
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**EXHIBIT G TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**STATE ADDENDA AND AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
RELAX THE BACK CORPORATION**

**FOR THE FOLLOWING STATES: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, VIRGINIA, WASHINGTON, OR WISCONSIN.**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**CALIFORNIA**

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

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION & INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, [www.RelaxTheBack.com](http://www.RelaxTheBack.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

4. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a *et seq.*, suspending or expelling such persons from membership in that association or exchange.

5. The following is added at the end of Item 5:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the

Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

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

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

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator which is in the county of our current place of business (currently, Los Angeles County, California) with the costs being borne as provided in the Franchise Agreement.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

Section 31512.1 of the California Corporations Code requires that any provision of the Franchise Agreement, Disclosure Document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) representations made by the franchisor or its personnel or agents to a prospective franchisee; (b) reliance by a franchisee on any representations made by the franchisor or its personnel or agents; (c) reliance by a franchisee on the franchise disclosure document, including any exhibit thereto; or (d) violations of any provision of this division.

7. The following paragraph is added to the end of Item 19:

The Adjusted Gross Sales figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your RELAX THE BACK Store. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.

## **HAWAII**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. **THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

### **ILLINOIS**

1. The following language is added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

### **MARYLAND**

1. The following language is added to the end of Item 5:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement.

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. The following is added to the end of the “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable defaults**:

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of Law**:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

## **MINNESOTA**

1. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

2. The following language is added to the end of Items 5 and 7:

Based upon our financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement.

3. **Renewal, Termination, Transfer, Dispute Resolution, and the Marks.** The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non-renewal of the Franchise Agreement.

With respect to franchises governed by Minnesota Law, we will comply with Minn. Stat. Sec. 80C.12, Subd. 1(g) which requires us to protect your right to use the Marks

or to indemnify you from any loss, costs, or expenses arising out of claims, suits, or demands regarding the use of the same.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, injunctive relief, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulation or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

## **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 SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

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

- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

None of the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it

being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), entitled **Termination by franchisee:**

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), entitled **Assignment of contract by franchisor:**

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

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

The foregoing choice of law and choice of forum 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.

## **RHODE ISLAND**

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

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

## **VIRGINIA**

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled **Termination by franchisor without cause:**

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

## **WASHINGTON**

1. The following is added at the end of Item 5:

Franchisees who receive financial incentives to refer franchise prospects to the Franchisor may be required to register as franchise brokers under the laws of Washington State.

2. The following is added at the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), 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 involving a franchise purchased in Washington, the arbitration site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator at the time of arbitration. 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 Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the 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 the State of 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 FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“we”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **NO WAIVER.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **LIMITATIONS ON DAMAGES AND/OR REMEDIES, WAIVER OF TRIAL BY JURY AND CLASS ACTION RIGHTS.** The following language is added to the end of Section 19.3 and 19.4 of the Franchise Agreement.

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois regulations at Section 200.609.

4. **LIMITATIONS OF CLAIMS.** Section 19.5 of the Franchise Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“we”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located in Maryland.

2. **INITIAL FEE.** The following language is added to the end of Section 9.1 of the Franchise Agreement:

Based upon our financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement.

3. **RELEASES.** The following is added to the end of Sections 14.3 (“Conditions for Approval of Any Transfer by Franchisee”), 14.4 (“Transfer to a Business Entity You Own”), 14.7 (“Our Right-of-First-Refusal”), 15.2 (“Your Obligations”), and 17.6 (“Our Right to Purchase...”) of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **DEFAULTS WITH NO RIGHT TO CURE.** The following sentence is added to the end of Section 16.1 of the Franchise Agreement:

This Section 16.1 may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **VENUE.** The following language is added to the end of Section 19.2 of the Franchise Agreement:

You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. **LIMITATIONS OF CLAIMS.** The following sentence is added to the end of Section 19.5 of the Franchise Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“we”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **NO WAIVER.** No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

3. **NOTIFICATION OF INFRINGEMENTS AND CLAIMS.** The following sentence is added to the end of Section 6.3 of the Franchise Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

4. **RELATIONSHIP OF THE PARTIES; INDEMNIFICATION.** The following language is added to the end of Section 7.4 of the Franchise Agreement:

We will protect your right to use the Marks and will indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the same.

5. **INITIAL FRANCHISE FEE.** The following language is added to the end of Section 9.1 of the Franchise Agreement:

Based upon our financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by you shall be deferred until we complete our pre-opening obligations under the franchise agreement.

6. **RELEASES.** The following is added to the end of Sections 14.3 (“Conditions for Approval of Any Transfer by Franchisee”), 14.4 (“Transfer to a Business Entity You Own”), 14.7 (“Our Right-of-First-Refusal”), 15.2 (“Your Obligations”), and 17.6 (“Our Right to Purchase...”) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

7. **YOUR RIGHT TO ACQUIRE A SUCCESSOR FRANCHISE AND TERMINATION OF AGREEMENT.** The following is added to the end of Sections 15.1 and 16.1 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

8. **DISPUTE AVOIDANCE AND RESOLUTION.** The following language is added to the end of Section 19.1(D) of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

9. **VENUE.** The following language is added to the end of Section 19.2 of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

10. **TERMS APPLICABLE TO ALL PROCEEDINGS, WAIVER OF TRIAL BY JURY, CLASS ACTION RIGHTS.** If and then only to the extent required by the Minnesota Franchises Law, Section 19.3(A) of the Franchise Agreement is deleted.

11. **LIMITATIONS ON DAMAGES AND/OR REMEDIES.** The following language is added to the end of Section 19.4 of the Franchise Agreement

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

12. **PERIODS IN WHICH TO MAKE CLAIMS.** The following is added to the end of Section 19.5 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

13. **CHOICE OF LAWS.** The following statement is added at the end of Section 19.14 of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

[Signatures on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**RIDER TO THE  
FRANCHISE AGREEMENT FOR USE IN THE  
STATE OF NEW YORK**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“we”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”). This Rider is being signed because (a) you are domiciled in the State of New York and the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **TRANSFER - BY US.** The following language is added to the end of Section 14.1 of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under this Agreement.

3. **RELEASES.** The following is added to the end of Sections 14.3 (“Conditions for Approval of Any Transfer by Franchisee”), 14.4 (“Transfer to a Business Entity You Own”), 14.7 (“Our Right-of-First-Refusal”), 15.2 (“Your Obligations”), and 17.6 (“Our Right to Purchase...”) of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you 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 to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

4. **CHOICE OF LAWS; VENUE.** The following statement is added at the end of Sections 19.2 and 19.14 of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“**we**”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“**you**”).

1.     **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2.     **CHOICE OF LAWS / VENUE.** The following language is added to the end of Sections 19.2 and 19.14 of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**RIDER TO THE FRANCHISE AGREEMENT  
AND RELATED AGREEMENTS  
FOR USE IN WASHINGTON**

**THIS RIDER** is made and entered into by and between **RELAX THE BACK CORPORATION**, a Delaware corporation whose address is 4600 E. Conant, Long Beach, California 90808-2414 (“we”), and \_\_\_\_\_ a(n) \_\_\_\_\_ whose principal business address is \_\_\_\_\_ (“you”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Washington; and/or (b) the RELAX THE BACK Store that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (c) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

2. **SITE SELECTION.** The third paragraph of Section 3.1 of the Franchise Agreement is replaced with the following:

While we may assist you in your efforts to select, obtain and develop a site, the selection, obtaining and developing of a site, and all other matters related in any way to your site, are your sole responsibility.

3. **SITE SELECTION.** The last paragraph of Section 3.1 of the Franchise Agreement is removed in its entirety.

4. **RESPONSIBILITY; INDEMNITY.** The following is added as the last paragraph in Section 7.4 of the Franchise Agreement:

You have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party’s negligence, willful misconduct, strict liability, or fraud.

5. **FRANCHISE BROKERS.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor’s current and former franchisees to ask them about their experience with the franchisor.

6. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”), 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 Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the 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 the State of 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.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

By: \_\_\_\_\_  
Title: President

\_\_\_\_\_  
Date

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**EXHIBIT H TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**REPRESENTATIONS STATEMENT**

**RELAX THE BACK CORPORATION  
REPRESENTATIONS STATEMENT**

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED, OR YOUR FRANCHISED BUSINESS WILL BE LOCATED IN: CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, RHODE ISLAND, VIRGINIA, WASHINGTON, OR WISCONSIN.**

The purpose of this Statement is to demonstrate to Relax the Back Corporation (“Franchisor”) that each person signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Relax the Back® franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise. In that regard, I represent to Franchisor and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables over which Franchisor has no control such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p>	<p>INITIAL:</p>
<p>I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>

I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.

INITIAL:

**SPECIAL REPRESENTATION REGARDING RECEIPT OF FINANCIAL INFORMATION**

**PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.**

Have you received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchise business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?

Yes                       No                      (INITIAL HERE: \_\_\_\_\_)

If you selected "Yes," please describe the information you received on the lines below:

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*[Signature page follows]*

**FRANCHISEE (Individual)**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_  
Legal Name of Franchisee Entity

a \_\_\_\_\_  
Jurisdiction of Formation Corporation, LLC or Partnership

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

**EXHIBIT I TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

---

**FORM OF GENERAL RELEASE**

**FORM OF RELEASE AGREEMENT**  
**(Subject to Change by Relax The Back Corporation)**

For and in consideration of the Agreements and covenants described below, Relax The Back Corporation (“RTB”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

**RECITALS**

- A. RTB and Franchisee entered into a RELAX THE BACK® Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_.
- B. [NOTE: Describe the circumstances relating to the release.]
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, RTB and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

**AGREEMENTS**

1. **Consideration.** [Note: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims by RTB.** Except as noted in this Section 4, and subject to Franchisee Parties’ compliance with the terms and conditions of this Agreement, including the payment of \$ \_\_\_\_\_ to RTB, RTB, for itself, its current and former parents, subsidiaries, and affiliates, and each such foregoing entity’s respective current and former owners, officers, directors, employees, managers, agents, representative, predecessors, successors, and assigns (collectively and individually referred to as the “Franchisor Parties”), hereby release and forever discharge Franchisee, its current and former parents, affiliates, and subsidiaries, and each such foregoing person’s or entity’s respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, employees, representatives, predecessors, successors, and assigns, and any other party claiming an interest through them (collectively and individually referred to as the “Franchisee Parties”) from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent (collectively, “Claims”), which RTB may now or in the future own or hold, that in any way relate to the Franchise Agreement, for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices law, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between Franchisee and RTB or their respective affiliates.

The Franchisor Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and the Franchisee Parties’ failure to comply with those obligations. Further, the Franchisor Parties do not release Franchisee Parties from any Claims related to Franchisee’s (i) indemnification obligations under Section \_\_ of the Franchise Agreement, (ii) non-disclosure obligations under Section \_\_ of the Franchise Agreement, and (iii) post-termination non-compete obligations under Section \_\_ of the Franchise Agreement, each of which remain in full force and effect and are incorporated by reference in this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, the Franchisee Parties release

and forever discharge the Franchisor Parties of and from any and all Claims, for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between any Franchisee Parties and any Franchisor Parties.

The Franchisee Parties do not release the Franchisor Parties from any obligations arising by virtue of this Agreement and the Franchisor Parties' failure to comply with those obligations.

IF FRANCHISEE'S RELAX THE BACK STORE IS LOCATED IN CALIFORNIA OR IF FRANCHISEE PARTIES ARE RESIDENTS OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE FRANCHISEE PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE FRANCHISEE PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH FRANCHISEE IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE FRANCHISEE PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Franchisee's RELAX THE BACK Store is located in Washington or if Franchisee Parties are residents of Washington, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

If the Franchisee's RELAX THE BACK Store is located in Maryland or if Franchisee Parties are residents of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

6. **Acknowledgement.** The release of Claims set forth in Section 4 and Section 5 are intended by the Franchisor Parties and the Franchisee Parties (collectively, the "Parties") to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the one of the Parties against the other Party regardless of whether any unknown, unsuspected or unanticipated claims would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Parties' respective intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. The Parties further acknowledge and agree that no violation of this Agreement shall void the releases set forth in this Agreement.

7. **Reservation of Claims Against Non-Settling Parties.** RTB and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

8. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

9. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and they fully understand and voluntarily accept the terms.

10. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of \_\_\_\_\_.

11. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right to remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorney's fees and costs incurred by reason of the breach.

*[Signature Page Follows]*

Dated: \_\_\_\_\_, 20\_\_

**RELAX THE BACK CORPORATION**

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

Dated: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

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

**EXHIBIT J TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**RENEWAL ADDENDUM TO FRANCHISE AGREEMENT**

## RENEWAL ADDENDUM TO FRANCHISE AGREEMENT

**THIS RENEWAL ADDENDUM (“Addendum”)** to the Franchise Agreement is made as of the Addendum Effective Date by and among **RELAX THE BACK CORPORATION (“we”)**, and [\_\_\_\_], (“**you**”). The Addendum Effective Date is the date on which we sign this Addendum as shown beneath our signature on the signature page of this Addendum.

### RECITALS

A. We and you were parties to that certain Franchise Agreement dated [\_\_\_\_] (the “**Prior Agreement**”), pursuant to which you were granted a franchise for the right to operate a Traditional RELAX THE BACK Store located at [\_\_\_\_], (your “**RELAX THE BACK Store**”).

B. The Prior Agreement is set to expire on [\_\_\_\_], and you desire to renew your franchise by executing our current form of franchise agreement concurrently herewith (the “**Franchise Agreement**”).

C. As a result of the foregoing, you and we have agreed to modify certain terms of the Franchise Agreement to reflect that the Franchise Agreement is meant to renew the existing franchise to operate your RELAX THE BACK Store. Capitalized terms used but not defined in this Agreement have the meanings ascribed to them in the Franchise Agreement.

### AGREEMENT

**FOR AND IN CONSIDERATION** of the foregoing Recitals, the covenants set forth herein and other valuable consideration, receipt and sufficiency of which are hereby acknowledged, we and you agree as follows:

1. **Termination of Prior Agreement.** Under the Prior Agreement, we have the right to require you sign our then current form of franchise agreement upon renewing your franchise and we have exercised our right to do so concurrently herewith. Therefore, the parties agree that the Prior Agreement is terminated as of the execution of this Addendum. You and Owner acknowledge that (a) the termination does not affect any obligations that arose or accrued under the Prior Agreement prior to the date of this Addendum, (b) you are current as of the Addendum Effective Date in all financial obligations and debts owed to us or our affiliates; and (c) the termination of the Prior Agreement does not affect or release you from any obligations that, as provided in the Prior Agreement, survive termination of the Prior Agreement.

2. **Term of Renewal.** Notwithstanding the term of the Franchise Agreement under Section 15, you acknowledge and agree that the term of your Franchise Agreement will be:

- 10 years, with no renewal option (“10-Year Renewal”)
- 5 years, with no renewal option (“5-Year Renewal”)

3. **Renewal Fee.** You will not owe us any renewal fee for a 10-Year Renewal. For a 5-Year Renewal, you agree to pay a non-refundable renewal fee of \$12,000 to us concurrently with the execution of this Addendum.

4. **Initial Franchise Fee.** You will not be required to pay us an initial franchise fee pursuant Section 9.1 of the Franchise Agreement.

5. **Grand Opening.** You will not be required to conduct a grand opening campaign pursuant Section 3.7 of the Franchise Agreement if you remain at the premises of your RELAX THE BACK Store after executing the Franchise Agreement.

6. **Initial Training.** You acknowledge and agree that we have already provided you with our initial training program as outlined in Section 5.1 of the Franchise Agreement.

7. **Renewal.** You will have no more renewal rights left under Section 15.1 of the Franchise Agreement, and you acknowledge and agree any and all options to renew and/or acquire a successor franchise contained in Section 15.1 of the Franchise Agreement are hereby deleted.

8. **Release.** You on behalf of yourself and your respective current and former parents, affiliates, and subsidiaries, and each such foregoing person's or entity's respective agents, spouses, heirs, principals, attorneys, owners officers directors, employees, representative, predecessors, successors, and assigns (collectively, the "**Releasing Parties**"), do hereby absolutely and irrevocably release and discharge us and our current and former parents, subsidiaries, and affiliates, and each such foregoing entity's respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the "**Released Parties**"), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, "**Claims**"), whether known or unknown, suspected or unsuspected, at law or in equity, which any of the Releasing Parties has, had or may have, from the beginning of time to the Addendum Effective Date, including, without limitation, any and all Claims in any way arising out of or relating to the Franchise Agreement, the Prior Agreement, the relationships created by the Franchise Agreement or Prior Agreement or the development, ownership, or operation of any and all of your RELAX THE BACK Stores, or any other agreements entered into between you and us. The Releasing Parties, and each of them, on behalf of themselves and the other Releasing Parties, further covenant not to sue any of the Released Parties on any of the Claims released by this Section 7, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this Section 7.

IF YOUR RELAX THE BACK STORE YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST US OR OUR AFFILIATES OF WHICH YOU ARE TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU ARE GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU FROM ASSERTING IT AGAINST THE COMPANY OR COMPANY AFFILIATES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR**

**HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the RELAX THE BACK Store is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

If the RELAX THE BACK Store is located in Washington or if you are a resident of Washington, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Washington Franchise Investment Protection Act.

9. **Miscellaneous.** The Franchise Agreement shall be amended only in the particulars set forth above. All other provisions of the Franchise Agreement shall continue in full force and effect as set forth therein. The terms of this Addendum form an integral part, and hereby are incorporated into and made a part of, the Agreement. In the event of a conflict between the terms contained in the Agreement and this Addendum, the terms and conditions of this Addendum shall govern, control, and supersede any inconsistent or conflicting terms of the Agreement. This Addendum may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument.

[Signatures appear on following page]

IN WITNESS WHEREOF, you and we have executed and delivered this Agreement in \_\_\_\_\_ counterparts on the day and year first above written.

**FRANCHISOR:**

Relax The Back Corporation,  
a Delaware corporation

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

Title: President

\_\_\_\_\_

Date

**FRANCHISEE (Individual)**

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Printed Name

\_\_\_\_\_

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

\_\_\_\_\_

Printed Name

**FRANCHISEE (Corp., LLC or Partnership)**

\_\_\_\_\_

Legal Name of Franchisee Entity

a \_\_\_\_\_

Jurisdiction of Formation

Corporation, LLC or Partnership

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

Name

\_\_\_\_\_

Date

\_\_\_\_\_

Signature

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

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	April 18, 2024
Hawaii	April 5, 2024
Illinois	Pending
Indiana	March 29, 2024
Maryland	Pending
Michigan	March 29, 2024
Minnesota	Pending
New York	April 25, 2024
Rhode Island	April 3, 2024
Virginia	April 9, 2024
Washington	April 25, 2024
Wisconsin	March 29, 2024

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 K TO THE  
RELAX THE BACK CORPORATION  
DISCLOSURE DOCUMENT**

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**RECEIPTS**

**RECEIPT  
(OUR COPY)**

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 Relax the Back Corporation 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, Relax the Back Corporation or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1<sup>st</sup> personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1<sup>st</sup> personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Relax the Back Corporation does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The franchisor is Relax the Back Corporation, 4600 E. Conant, Long Beach, California 90808-2414, (800) 290-2225. The franchise seller for this offering is:

<input type="checkbox"/> Name of Franchised Seller: <u>Andrew Cohen</u> Principal Business Address: <u>4600 E. Conant, Long Beach, CA</u> <u>90808-2414, (800)-290-2225</u>	<input type="checkbox"/> Name of Franchised Seller: <u>Bill McClymonds</u> Principal Business Address: <u>4600 E. Conant, Long Beach, CA</u> <u>90808-2414, (800)-290-2225</u>	<input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ _____
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Issuance Date: **March 29, 2024**

See Exhibit E for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated **March 29, 2024**, which included the following Exhibits:

- |                                                                    |                                       |
|--------------------------------------------------------------------|---------------------------------------|
| Exhibit A - Franchise Agreement                                    | Exhibit G - State Addenda             |
| Exhibit B - Financial Statements                                   | Exhibit H - Representations Statement |
| Exhibit C - List of Current Franchisees                            | Exhibit I - Sample General Release    |
| Exhibit D - List of Former Franchisees                             | Exhibit J - Renewal Addendum          |
| Exhibit E - State Administrators and Agents for Service of Process | Exhibit K - Receipts                  |
| Exhibit F - Operations Manual Table of Contents                    |                                       |

**PROSPECTIVE FRANCHISEE:**

If a business entity:

\_\_\_\_\_  
Name of Business Entity  
Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_

Dated: \_\_\_\_\_  
(Do not leave blank)

If an individual:

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
Dated: \_\_\_\_\_  
(Do not leave blank)

Please sign and return this receipt either by signing, dating and mailing it to Relax the Back Corporation, 4600 E. Conant, Long Beach, California 90808-2414, or by emailing a copy of the signed and dated receipt to Relax the Back Corporation at [billm@relaxtheback.com](mailto:billm@relaxtheback.com).

**RECEIPT  
(YOUR COPY)**

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 Relax the Back Corporation 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, Relax the Back Corporation or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this disclosure document at the earlier of our 1<sup>st</sup> personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1<sup>st</sup> personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Relax the Back Corporation does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit E.

The franchisor is Relax the Back Corporation, 4600 E. Conant, Long Beach, California 90808-2414, (800) 290-2225. The franchise seller for this offering is:

<input type="checkbox"/> Name of Franchised Seller: <u>Andrew Cohen</u> Principal Business Address: <u>4600 E. Conant, Long Beach, CA</u> <u>90808-2414, (800)-290-2225</u>	<input type="checkbox"/> Name of Franchised Seller: <u>Bill McClymonds</u> Principal Business Address: <u>4600 E. Conant, Long Beach, CA</u> <u>90808-2414, (800)-290-2225</u>	<input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ _____
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------

Issuance Date: **March 29, 2024**

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- |                                                                    |                                       |
|--------------------------------------------------------------------|---------------------------------------|
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| Exhibit E - State Administrators and Agents for Service of Process | Exhibit K - Receipts                  |
| Exhibit F - Operations Manual Table of Contents                    |                                       |

**PROSPECTIVE FRANCHISEE:**

If a business entity:

\_\_\_\_\_  
Name of Business Entity  
Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
  
Dated: \_\_\_\_\_  
(Do not leave blank)

If an individual:

\_\_\_\_\_  
Print Name: \_\_\_\_\_  
  
Dated: \_\_\_\_\_  
(Do not leave blank)

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.