FRANCHISE DISCLOSURE DOCUMENT

ELEMENTS THERAPEUTIC MASSAGE, LLC
(a Delaware limited liability company)
9780 South Meridian Boulevard, Suite 400
Englewood, Colorado 80112
(303) 663-0880
www.elementsfranchise.com
info@elementsmassage.com

Elements Therapeutic Massage, LLC, offers franchises for the operation of studios under the name "Elements Massage" offering various forms of therapeutic massage services and any related future services and products.

The total investment necessary to begin operation of an Elements Massage studio ranges from $251,950 to $491,350. This includes $74,024 to $85,521 that you must pay to us or our affiliates.

The total investment necessary under the Area Development Agreement is estimated to be $79,800 (for a 2-studio commitment) to $299,000 (for a 10-studio commitment). This entire amount must be paid to us.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 the Elements Therapeutic Massage, LLC, Legal Department at 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112 (303) 663-0880.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 30, 2020

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
How much can I earn?	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 Exhibit D.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Elements Massage Franchised Business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Elements Massage Franchised Business franchisee?	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 is Operations 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, 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 a 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 you franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise agreement 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 you state has a registration requirement, or to contact your state, use the agency information in Exhibit F.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Englewood, Colorado. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Colorado that 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.

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.

STATE OF MICHIGAN DISCLOSURE NOTICE

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a Franchisee to join an association of Franchisees.

(b) A requirement that a Franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a Franchisee of rights and protections provided in 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, 1st Floor, 525 West Ottawa Street, Lansing, Michigan 48933, Telephone Number: (517) 373-7117

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

Note: Despite paragraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement and Area Development Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

ELEMENTS THERAPEUTIC MASSAGE, LLC
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EXHIBITS

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

The Franchisor

To simplify the language in this Franchise Disclosure Document ("Disclosure Document"), "we," "us," "our," "Franchisor," or "Elements Massage" means Elements Therapeutic Massage, LLC. "You," "your," or "Franchisee" means the person or legal entity (including an individual, corporation, partnership, limited liability company or other legal entity, and its owners, officers, and directors) buying the franchise. If you are a legal entity, your direct and indirect owners will have to guarantee your obligations and be bound by the provisions of the franchise agreement and other agreements as described in this Disclosure Document.

We were incorporated in the State of Delaware on August 4, 2006, as Elements Therapeutic Massage, Inc. On October 9, 2015, we converted to a Delaware limited liability company. Our principal business address is 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112. We conduct business under our company name and no others.

Our agents for service of process are listed on Exhibit F to this Disclosure Document.

Our Business Activities

Franchise Program. We sell franchises to own and operate Elements Massage® studios ("Studios"). The Elements Massage franchise system is a unique and comprehensive system offering various forms of therapeutic massage and related services and products that may be offered in the future to the general public (the "Franchise System").

We will enter into the franchise agreement attached as Exhibit B (the "Franchise Agreement"), which will grant to you a license to use the service mark "Elements Massage" for the purpose of owning and operating a Studio.

If we offer you the right to enter into an Area Development Agreement (the "Area Development Agreement"), you will acquire a specified number of franchises and open, according to a specified schedule (the "Development Schedule"), a corresponding number of Studios, each under a separate Franchise Agreement, within a specifically described geographic territory (the "Development Area"). The form of Area Development Agreement you would sign is attached as Exhibit C to this Disclosure Document. For each Studio you develop, you must sign our then-current form of Franchise Agreement, which may be different than the form we were using when you signed the Area Development Agreement.

Although, currently, we do not directly own or operate any Studios, as of December 31, 2019, our wholly owned subsidiaries own and operate eight Studios. We have offered franchises in the line of business disclosed in this Disclosure Document since 2006, and, other than a previous area director program offered from October 2006 to October 2008 and again from December 2013 to December 2017, we have not offered franchises in any other line of business or conducted any other business.

Our Parents, Predecessors and Affiliates

Parents. Our parents are WellBiz Brands, Inc. ("WellBiz") and WBZ Investment LLC ("WBZ"). WellBiz is wholly owned by WBZ Holdings, Inc. ("Holdings"), which is wholly owned by WBZ, and WBZ is wholly owned by WBZ Holdings II, LLC ("Holdings II"). Holdings II is owned by the following: KSL Capital Partners III, L.P., KSL Capital Partners III TE, L.P., KSL Capital Partners III TE-A, L.P. and KSL Capital Partners III FF, L.P., which are our ultimate parents.

We do not have any predecessors.

Elements Canada Franchise Program. Our affiliate, Elements Massage Franchise Canada Ltd. ("EMFC") has offered franchises for Studios in Canada since November 11, 2013. As of December 31, 2019, there was 1 franchised Studio in Canada.

Fitness Together Franchise Programs. Our affiliate, Fitness Together Franchise, LLC ("FTF") is the franchisor of the Fitness Together® one-on-one personal training studio system. FTF began offering franchises in 1996. As of December 31, 2019, there were 143 Fitness Together studios, with one operated by FTF's subsidiary.

Amazing Lash Studio Franchise Program. Our affiliate, Amazing Lash Franchise, LLC ("ALF"), is the franchisor of the Amazing Lash Studio® franchise system. ALF began offering franchises in September 2018; however, its predecessor began offering Amazing Lash Studio franchises in May 2013. As of December 31, 2019, there were 245 Amazing Lash Studio locations, with seven operated by ALF's subsidiaries.

Our affiliate, FTHC Operating Company ("FTHC"), provides services in connection with our gift card program.

Our affiliate, Wellness and Vitality Exchange, LLC ("WAVE"), is the sole designated supplier for the following categories of items: (i) all products used in connection with providing services at Studios, including but not limited to equipment and other essential items, inventory and tables; and (ii) all products that Studios may be required to offer for sale.

WellBiz, WBZ, Holdings, EMFC, FTF, ALF, FTHC, and WAVE each has its principal business address at the same address as ours. The principal business address for the other parent companies described in this Item 1 is 100 Fillmore Street, Suite 600, Denver, Colorado 80206. Other than as described above, none of our parent companies, nor any affiliates required to be disclosed in this Item 1 directly offers franchises in any line of business or otherwise conducts business of the type being offered to you in this Disclosure Document.

Description of the Franchised Business

We grant to each franchisee a license to use the "Elements Massage" service mark, together with other trademarks, service marks, and commercial symbols (collectively, the "Marks") for use in identifying and operating the Studio. You will sell and provide various forms of therapeutic massage services, as well as any related services and products that may be offered in the future. You will operate the Studio according to our mandatory specifications, standards, operating procedures, and rules ("System Standards"). The distinguishing characteristics of the Franchise System include the business formats, business system, methods, procedures, signs (and together with other fixtures, furniture, equipment, and required computer hardware and software (the "Operating Assets")), designs, layouts, standards, specifications, the Operations Manual (as defined in Item 11) and Marks, all of which we may improve, further develop, or otherwise modify from time to time. In addition to individual massages, Studios offer a membership program under which members, for a monthly fee, receive one massage per month at a discounted rate and other benefits as determined by Studios.

The Market and Competition

Your Studio will offer its services and products to the general public. You will compete with nationally recognized trade names in the massage industry and with other local and regional businesses offering similar services and products. The market is developed, but expanding. Depending on your Studio's location and demographics, certain seasons may be busier than others.

Licenses, Permits, and Industry Regulations

A number of states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Studio, including those that (1) establish licensing and certification requirements for businesses in general, (2) establish general standards, specifications and requirements for the construction, design and maintenance of the Studio location; (3) establish licensing and certification requirements for massage therapists, (4) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for massage businesses; (5) set standards pertaining to employee health and safety, (6) set standards and requirements for fire safety and general emergency preparedness, and (7) regulate the proper use, storage and disposal of waste and other hazardous materials. You are solely responsible for investigating the license/permit requirements in your state.

You must also comply with all other local, state, and federal laws that apply to your operations, including health, sanitation, smoking, EEOC, OSHA, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain real estate permits, licenses, and operational licenses for your business and employees and massage therapists.

You must comply with all payment card infrastructure ("PCI") industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

ITEM 2. BUSINESS EXPERIENCE

Jeremy Morgan, Chief Executive Officer (WellBiz) & Manager (Franchisor)

Mr. Morgan has been the Chief Executive Officer of WellBiz, WBZ, Holdings, WAVE, FTF, and FTHC in Englewood, Colorado since May 2019. Mr. Morgan has been our Manager and the Director of EMFC in Englewood, Colorado since January 2020. In addition, since May 2019, Mr. Morgan has been the Manager of FTF and the Director of FTHC. From March 2019 to May 2019, Mr. Morgan served as President of WellBiz. From October 2017 to May 2019, Mr. Morgan served as Director for EMFC. From February 2017 to March 2019, Mr. Morgan was our and EMFC's Chief Executive Officer, in Englewood, Colorado. From July 2014 to February 2017, he was the Chief Executive Officer for Tava Kitchen in San Francisco, California.

Robert Bell, Chief Financial Officer

Mr. Bell has been our Chief Financial Officer, and has held the same position at WellBiz, WBZ, Holdings, WAVE, ALF, EMFC, FTF, and FTHC since May 2019, each in Englewood, Colorado. From March 2019 to May 2019, Mr. Bell served as our Senior Vice President of Finance and held the same position at WellBiz, WBZ, Holdings, WAVE, ALF, EMFC, FTF, and FTHC. From April 2018 to February 2019, Mr. Bell served as our Vice President of Finance and held the same position at WellBiz, WBZ, Holdings, WAVE, EMFC, FTF, and FTHC. In addition, Mr. Bell served as Vice President of Finance for ALF from September

2018 to February 2019. From April 2018 to November 2018, Mr. Bell served as Vice President for our former affiliate Fit 36, LLC ("Fit 36") in Englewood, Colorado. From October 2015 to April 2018, Mr. Bell was Vice President of Finance for Raising Cane's Franchising LLC in Plano, Texas. From October 2011 to September 2015, Mr. Bell served as Director of Finance for Smashburger Franchising LLC in Denver, Colorado.

Trever Ackerman, Chief Marketing Officer

Mr. Ackerman has been our Chief Marketing Officer, and has held the same position at WellBiz, FTF, and EMFC, since April 2017 and for ALF since September 2018, each in Englewood, Colorado. From April 2017 to November 2018, Mr. Ackerman served as Chief Marketing Officer for Fit 36, in Englewood, Colorado. From December 2013 to March 2017, Mr. Ackerman was the Vice President of Marketing and Chief Marketing Officer for Les Mills US in Chicago, Illinois.

Matt Stanton, Chief Development Officer

Mr. Stanton has been our Chief Development Officer, and has held the same position at WellBiz, FTF, and EMFC since December 2017, and for ALF since September 2018, each in Englewood, Colorado. From December 2017 to November 2018, Mr. Stanton served as Chief Development Officer for Fit 36, in Englewood, Colorado. From June 2016 to December 2017, Mr. Stanton served as Vice President, Development, for Taco Bueno Restaurants in Dallas, Texas. From November 2011 to April 2016, Mr. Stanton served as Vice President, Strategy and Development, for Smashburger Franchising LLC in Denver, Colorado.

Adam Passarelli, Senior Vice President of Operations

Mr. Passarelli has been the Senior Vice President of Operations in Englewood, Colorado for us and EMFC since January 2020. From November 2019 to January 2020, he was on sabbatical and exploring new opportunities. From April 2018 to November 2019, Mr. Passarelli served as our Vice President of Corporate Operations. From August 2016 to March 2018, Mr. Passarelli served as our Vice President of Marketing. From June 2013 to July 2016, Mr. Passarelli served as Senior Director of Marketing for Smashburger Franchising LLC in Denver, Colorado.

Dana Benfield, Senior Vice President of Marketing

Ms. Benfield has been the Senior Vice President of Marketing in Englewood, Colorado for us and EMFC since October 2019 and has held the same position at WellBiz, FTF, and ALF since January 2020. From February 2019 to October 2019, Ms. Benfield provided consulting services in the Denver, Colorado area. From November 2017 to February 2019, Ms. Benfield served as Chief Marketing Officer for Red Robin Gourmet Burgers, Inc. in Greenwood Village, Colorado. From November 2012 to November 2017, Ms. Benfield served as Vice President of Marketing for Red Robin Gourmet Burgers, Inc. in Greenwood Village, Colorado.

ITEM 3. LITIGATION

Pending

None.

Completed

Charles Goldman and But There's the Rub, Inc. ("Claimants") v. Elements Therapeutic Massage, LLC ("Respondent"), American Arbitration Association (No. 01-19-0001-4745). On May 16, 2019, Claimants filed a demand for arbitration with the American Arbitration Association in Denver, Colorado. Claimants and Respondent were parties to two franchise agreements, dated November 9, 2012 and October 22, 2013. Alleging that Respondent made pre-sale misrepresentations or omissions to induce them to enter into the franchise agreements, Claimants asserted claims for fraud, negligent misrepresentation or omission, and violation of the Colorado Consumer Protection Act. Claimants further alleged that Respondent breached the franchise agreements and the implied covenant of good faith and fair dealing. Claimants sought rescission of the franchise agreements, a full refund, an unspecified amount of damages, and an award of their attorneys' fees and costs. Respondent asserted a breach of contract counterclaim against Claimants based on their premature abandonment of their studio. Respondent sought an award of its damages, attorneys' fees, and costs. On March 12, 2020, the parties entered into a settlement agreement under which, without admission of wrongdoing, Respondent refunded Claimants' initial franchise fee of $45,000 for one of its franchise agreements.

Rima Roy Chakraborty ("Claimant") v. Elements Therapeutic Massage, Inc. ("Respondent"), American Arbitration Association (No. 77 114 00132 12). On May 2, 2012, Claimant filed a demand for arbitration with the American Arbitration Association in Fresno, California. Claimant and Respondent were parties to a franchise agreement and a master franchise agreement, dated July 25, 2007, under which, among other things, Claimant paid Respondent and agreed to develop Claimant's territory and support franchisees in the territory. Claimant alleged that in March 2010, Claimant was forced to close her franchise location for financial reasons, at which time, Respondent terminated Claimant's franchise agreement. Claimant further alleged that upon learning that Claimant was operating a competing business in Claimant's former Elements Massage studio location, Respondent terminated Claimant's master franchise agreement. Claimant alleged that Respondent's termination of the master franchise agreement violated the California Franchise Relations Act and was a breach of the master franchise agreement. Claimant also sought, as an alternative to damages, reinstatement of the master franchise agreement and an accounting so that she received revenue to which she claimed she was entitled under the master franchise agreement. In addition, Claimant alleged that Respondent was unjustly enriched because it retained the initial fees paid by claimant for the master franchise agreement. Claimant sought damages in an amount equal to $129,000, plus reimbursement for one-half of the franchise fees and royalties paid by Elements Massage franchisees in claimant's territory, as well as attorneys' fees and costs. On October 31, 2012, the parties entered into a settlement agreement under which, without admission of wrongdoing, Respondent paid Claimant $143,750.

W2D Corporation and Deborah A. Greene ("Claimants") v. Elements Therapeutic Massage, Inc., Jeffrey Jervik and Scott Wendrych ("Respondents"), American Arbitration Association (No. 73 114 00334 11). On October 7, 2011, Claimants filed a demand for arbitration with the American Arbitration Association in Fresno, California, which was amended October 25, 2011, November 17, 2011 and December 8, 2011. We and Claimants were parties to a master franchise agreement dated January 17, 2008 ("MFA"), under which, among other things, Claimants paid us and agreed to develop Claimants' territory and support franchisees in the territory. The amended arbitration demand alleged that Claimants signed sales contractor agreements in January 2009 and October 2010 granting Respondents the right to perform Claimants' obligations to sell franchises in their territory, and that such agreements constituted an unlawful material modification of the MFA under the California Franchise Investment Law. The amended demand further alleged that in September 2011, Respondents exercised their right under the MFA to purchase Claimants' rights under the MFA from Claimants. Claimants asserted that Respondents' exercise of such purchase right constituted a bad faith enforcement of provisions of the MFA, a violation of the implied covenant of good faith and fair dealing, a breach of the MFA, and a violation of the California Franchise Relations Act. (The amended arbitration demand did not separately specify the actions of each of the 3 Respondents.) Claimants sought rescission of the MFA, a complete reimbursement of the Claimants' investment and/or monetary damages and punitive and exemplary damages in an aggregate amount not to exceed $300,000, and attorneys' fees and costs. On March 14, 2012, the parties entered into a settlement agreement under which, without admission of wrongdoing, we paid Claimants $75,000.

Other than the 3 actions disclosed above, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee. Unless you are signing a Franchise Agreement under an Area Development Agreement, when you sign a Franchise Agreement to develop a single Studio, you must pay us an initial franchise fee (the "Initial Franchise Fee") of $39,900. You must pay the Initial Franchise Fee as a lump sum by wire transfer. The Initial Franchise Fee is fully earned by us when paid by you, and is not refundable.

Development Fee. If we grant you the right to develop two or more Studios under an Area Development Agreement, you must pay us a one-time development fee (the "Development Fee") upon executing your Area Development Agreement. Your Development Fee will depend on the number of Studios we grant you the right to develop within the Development Area and is calculated as follows:

(1) $79,800 if you sign an Area Development Agreement in which you agree to develop two Studios;

(2) $34,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop three to five Studios; and

(3) $29,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop six or more Studios.

Typically, an area developer is expected to develop two to 10 Studios and the range of the Development Fee in that case would be $79,800 to $299,000. You will be required to enter into our then-current form of Franchise Agreement for each Studio you wish to develop under your Area Development Agreement, but you will not be required to pay an Initial Franchise Fee at the time you execute each of these Franchise Agreements.

The Development Fee is due in a lump sum when you sign your Area Development Agreement. The Development Fee is fully earned by us upon your execution of the Area Development Agreement, and is not refundable.

Veteran's and Active-Duty Military Discount. We offer a 20% discount on the Initial Franchise Fee (or the Development Fee if you sign the Area Development Agreement) for veterans and active-duty members of the United States armed forces who meet our program requirements.

We reserve the right to waive or reduce the Initial Franchise Fee for other franchisees. In the fiscal year ended December 31, 2019, we received Initial Franchise Fees in amounts ranging from $0 to $39,900.

Other Initial Payments. Before you open your Studio, you may be required to pay us the fees stated below:

Massage Equipment/Supplies. Before opening your Studio, you must purchase your massage equipment and your initial inventory/supplies, including but not limited to all products used in connection with providing services at your Studio, from our affiliate WAVE. The cost of this inventory/supplies and furniture will range from $15,100 to $21,300, depending on the size of your particular Studio. This amount is payable in one lump sum payment, is fully earned and nonrefundable upon receipt.

Additional Attendees for Training Program. We currently require only you or your Operating Partner (as defined in Item 11) and your Designated Manager (if applicable) (as defined in Item 11) to attend the Training Program (as defined in Item 11) before opening your Studio. You may invite additional employees to attend the Training Program if space allows, but we will charge you our then-current training fee (currently, $500 per attendee, plus costs). We do not expect or require you to send additional persons to the Training Program, and we may limit the number of attendees, so we currently estimate your cost for additional attendees will be $0.

Massage Session during Training Program. Part of the Training Program includes the requirement that you (or your owners) and other Training Program attendees experience a massage session, and you will be required to pay for that massage session. If such massage session is at a Studio owned by us or an affiliate, you and your trainees will pay us or an affiliate approximately $69 to $99 per trainee. We anticipate most franchisees will send up to three trainees, and in that case the fee payable to us or our affiliate would be $207 to $297.

Set-Up and Technology Fees. You are required to pay us a $499 set-up fee for the set-up of certain required software programs. You are also required to pay us a $75 fee for gift card program set-up and the technology fee for the two months before opening ($475 per month).

Site Survey Fee. No later than 10 days after the date that you sign an approved lease for your Studio's specific address and location (the "Premises"), you must pay to us a non-refundable site survey fee equal to $2,500, in the form of a lump sum payment by ACH (the "Site Survey Fee").

Construction Management Fee. If we approve an exception to the requirement that you use our designated service provider of construction-management services, you are required to pay us a construction management fee of $5,000.

Grand Opening Spend Fee. No later than 10 days after the date that you sign an approved lease for the Premises (or 10 days after the date you purchase and take possession of an existing Studio), you must pay us, by ACH, $15,000 as a non-refundable grand opening spend fee (the "Grand Opening Spend Fee"). However, if you are signing the Franchise Agreement in connection with the renewal of an existing Studio, we do not charge a Grand Opening Spend Fee.

Referral Fee Program. If an existing franchisee refers a prospective franchisee to us who ultimately purchases a franchise for a Studio, we currently pay the referring franchisee a referral fee which ranges from $0 to $15,000. We may discontinue this referral program or change the amount of the referral fee at any time.

Except as otherwise noted, the initial fees described above are not refundable under any circumstances.

ITEM 6. OTHER FEES

Type of Fee*	Amount	Due Date	Remarks
Royalty	6% of Gross Receipts	5th day of each month	See Note 1
Brand Marketing Fund	2% of Gross Receipts	5th day of each calendar month	See Note 2
Local Advertising Fee	$1,625 per month (subject to our right to increase)	15th day of each calendar month	See Note 3
Local Spend Amount	2% of Gross Receipts	As incurred	Payable to the designated supplier, which may be us. (See Note 3)
Default Fee	$250	Upon receipt of statement	See Note 4
Dishonored Check or Insufficient Funds Fee	$150	Upon receipt of statement	See Note 5
Interest on Late Payments	1.5% per month or highest commercial rate	Upon receipt of statement	See Note 6
Monthly Management Fee (in event of your abandonment, default, or termination)	Up to $7,500 per month plus direct out-of-pocket expenses	1st day of each month upon occurrence	See Note 7
Additional/Replacement Training Fee	Then-current fee (currently, $500 per attendee), plus costs and expenses	Before additional and/or replacement training	See Note 8
Annual Meeting Registration Fees	Then-current annual meeting registration fees for at least one attendee (currently, $300 per person), plus costs and expenses. Default fee applies for non-attendance.	Before annual meeting	See Note 9
Advanced Manager Training Program	Then-current fee (currently $99 per trainee), plus costs and expenses	Before you attend training program	See Note 10
Technology Fee	$475 per month	1st day of each calendar month	See Note 11
Marketing Cooperatives	As established (Existing marketing cooperatives charge $500 to $1,500 per month)	As established	See Note 12

Type of Fee*	Amount	Due Date	Remarks
Successor Franchise Fee	$10,000	Upon renewal	See Note 13
Transfer Fee – Franchise Agreement	50% of the then-current Initial Franchise Fee	Upon signing the consent to transfer	See Note 14
Transfer Fee – Area Development Agreement	$10,000	Upon signing the consent to transfer	
Transfer Fee Deposit	$5,000	Upon signing the consent to transfer	See Note 15
Inventory	Varies according to products purchased	At the time of purchase	See Note 16
Royalty Underpayments (audit)	Varies. Difference between amount reported and correct amount, plus applicable interest (and if understated amount is more than 2%, plus our costs (including attorneys' and accountants' fees)).	Time of audit	See Note 17
Defense or Enforcement Costs	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 18
Indemnification	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 19
Collection Costs	Actual costs and expenses to collect past due or other amounts	Upon settlement or conclusion	See Note 20
Arbitration and Proceeding Costs	Our arbitration or other court costs plus attorneys' fees and costs if we prevail in the arbitration or proceeding	Upon conclusion of arbitration or proceeding	See Note 21
Liquidated Damages	An amount equal to the combined monthly average of Royalties, Brand Marketing Fund contributions, and any other fees under this Agreement (without regard to any fee waivers, or other reductions) payable during the 36 months preceding the date of early termination, multiplied by the lesser of (i) 36 or (ii) the number of full months remaining in the Term. The present value of the total calculated at a discount rate of 8%, assuming payment at the end of each month, will be our Liquidated Damages.	Upon termination of Franchise Agreement by you without cause or because of your default	See Note 22
Alternative Supplier Evaluation	Not currently charged, but if implemented, our then-current fee which we estimate to be costs for time and resources we spend in evaluating the proposed supplier	On demand	See Note 23

* Except as otherwise noted, all fees are uniformly imposed on all franchisees and collected by, and payable to, us (or our designated affiliate). Any fees paid to us are non-refundable unless otherwise noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors. We will auto-debit your bank account (known as "ACH") for all fees you are required to pay to us under the Franchise Agreement. We will ACH your bank account for the amounts due based on your gross monthly receipts from the previous month, as obtained by us from our approved computer system used by you to record receipts. Your ACH will remain in effect throughout the term of the Franchise Agreement. You must ensure that funds are available in your bank account to cover our withdrawals. Some banks charge fees for us to ACH your account; you must pay those fees. We may require you to pay any amounts due under the Franchise Agreement or otherwise by means other than ACH (*e.g.*, by check or credit card) whenever we deem appropriate, and you must comply with our payment instructions. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs. In addition, your failure to comply with our payment instructions will be considered a default under the Franchise Agreement.

NOTES:

1. **Royalty.** You must pay us a monthly royalty on the 5th day of each month starting with the 1st full calendar month after opening the Studio. We reserve the right to collect royalties on a weekly, rather than monthly, basis upon notification to you.

   If we are unable to access information from your Computer System (as defined in Item 11), and you fail to report your Studio's Gross Receipts when due, then for each payment due under the Franchise Agreement that is calculated based on Gross Receipts, we may debit your business account 110% of the average of your last three applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your Studio's true and correct Gross Receipts), we will debit your business account for the balance on the day we specify. If the amounts we debit from your business account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

   Despite any designation you make, we may apply any of your payments to us or our affiliates to any of your past due indebtedness to us or our affiliates.

   "Gross Receipts" include all of your revenue and receipts, including those taken by cash, credit card, debit card, check, electronic funds transfer, ACH, trade, barter or exchange. Gross Receipts also include: (a) any other means of revenue derived from the operations of your Studio, including the sale of memberships, merchandise, or any products or services that are sold by you, whether sold at the Premises or from an off-Premises location; (b) all revenue from the sale or redemption of gift cards, in accordance with our then-current System Standards; and (c) the gross amount of any business interruption or similar insurance payments. Gross Receipts exclude: (i) sales, use or privilege taxes paid to the appropriate taxing authority; (ii) refunds that are provided to clients; and (iii) tips received from clients for payment to your employees. The "Premises" is the specific location of your Studio that we approve.

2. **Brand Marketing Fund**. You must make contributions to an advertising and marketing fund (the "Brand Marketing Fund") of 2% of the Gross Receipts of your Studio, which we will spend on preparing marketing, recruiting, advertising, and promotional materials and programs that will be used nationally, regionally, multi-regionally, or locally. You must also satisfy the Grand Opening Spend Fee and the Local Marketing Spend Requirement described below.

3. **Local Marketing Spend Amount**. You must pay us a fee of $1,625 per month (the "Local Advertising Fee"). We may modify the amount of your Local Advertising Fee periodically; provided, however, we shall not increase the Local Advertising Fee by more than ten percent (10%) on an annual basis. We currently collect the Local Advertising Fee on the 15th day of each month for the preceding month. We may change the day of the month on which we collect the Local Advertising Fee. You must additionally spend a minimum of 2% of the Gross Receipts of your Studio toward approved advertising, marketing and promotional programs for your Studio within an area reasonably surrounding your Studio (the "Local Spend Amount"). We refer to the Local Advertising Fee and your Local Spend Amount together as the "Local Marketing Spend Requirement." Your Local Marketing Spend Requirement excludes any contributions you make to the Brand Marketing Fund, but any contributions you make to a Marketing Cooperative will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the Local Spend Amount. We or our affiliates may be a designated supplier of local advertising, marketing and promotional programs for your Studio.

4. **Default Fee.** If you are in default of the Franchise Agreement and we send you a default notice, you must pay us a default fee.

5. **Dishonored Checks or Insufficient Funds Fee**. If you write us a check that is returned, cancelled or dishonored, or if we ACH your bank account (in accordance with the terms of the Franchise Agreement) and your account has insufficient funds or is inaccessible, you must pay us an insufficient funds fee.

6. **Interest on Late Payments**. All amounts that you owe us for any reason will bear interest accruing as of their original due date at 1.5% per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for transaction charges and interest.

7. **Monthly Management Fee (in the event of your abandonment, default, or termination)**. If: (1) you abandon or fail actively to operate your Studio; (2) you fail to comply with any provision of the Franchise Agreement or any System Standard and do not cure the failure within the applicable cure period; or (3) the Franchise Agreement is terminated and we are deciding whether to exercise our option to purchase the Studio, we have the right (but not the obligation): (i) to enter the Premises to make any modifications we deem necessary to protect the Operating Assets; (ii) to remove any equipment, signage, or other materials featuring the Marks; (iii) to cure any defaults under the lease; and (iv) to assume all of your rights under the lease. We additionally have the right (but not the obligation) to enter the Premises and assume your Studio's management for any period of time we deem appropriate. If we (or a third party we designate) assume your Studio's management, you must pay us our then-current monthly management fee, plus our (or the third party's) direct out-of-pocket costs and expenses. These amounts are in addition to any Royalty, Brand Marketing Fund contributions, and other amounts which may be due to us or our affiliates.

8. **Additional and/or Replacement Training Fee**. Any successor or replacement Operating Partner (defined in Item 15) or Designated Manager (defined in Item 15) may be required to complete the Training Program no more than 90 days after being appointed (see Item 11). Further, if you (or your Operating Partner) or your Designated Manager (if applicable), or any manager and/or assistant manager required by us, fail to satisfactorily complete the Training Program then we reserve the right to require such individual to attend additional training and you may be required to pay us our then-current training fee for such additional training. You are responsible for travel and living expenses, including wages, transportation, food, lodging, and workers' compensation

insurance incurred by you or your personnel to attend such training. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct training, including food, lodging and transportation.

9. **Annual Meeting Registration Fees**. You (or your Operating Partner) and any applicable Designated Manager are required to attend any scheduled annual meeting of franchise owners. You will be required to pay our then-current registration fee. If you do not attend, we will charge you the default fee for failing to attend. You are responsible for travel and living expenses, including wages, transportation, food, lodging, and workers' compensation insurance incurred by you or your personnel to attend such training.

10. **Advanced Manager Training Program Fee**. After you have opened your Studio for business, we may offer you (or your Operating Partner) and any applicable Designated Manager, based on the factors that we determine, the opportunity to attend an advanced manager training program. If you elect to attend such training, you may be required to pay us our then-current training fee. You are responsible for travel and living expenses, including wages, transportation, food, lodging, and workers' compensation insurance incurred by you or your personnel to attend such training.

11. **Technology Fee**. We require you to pay a fee to us, or a service provider we designate (which may be one of our affiliates), for technology-related services, including website or email hosting, help desk support, software or website development, enterprise solutions and other services associated with your Computer System and/or any Franchise System Website (a "Technology Fee"). The Technology Fee is payable monthly, which we will ACH from your bank account on the 1st day of each month beginning 60 days before your Studio opens. The email portion of the Technology Fee includes up to four users. If you want access to technologies other than email before opening, then the Technology Fee will accrue at the monthly rate from such time. If we travel to your Studio to provide any technological support and/or installation services, you must also reimburse us for the costs we incur for such site visit, including travel, food, and lodging. We may periodically modify the Technology Fee.

12. **Marketing Cooperatives**. We may establish a marketing cooperative in a geographic area in which three or more Studios are located ("Marketing Cooperative"). The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. Any Studio we or our affiliates own will have the same voting power as franchised Studios. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. We may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. We may designate, approve or develop standards and specifications for Marketing Cooperative suppliers. We will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration and determination of contribution levels. All Marketing Cooperatives will be governed by written documentation we designate or approve. Such documentation is available for Marketing Cooperative member review. We may form, modify, change, dissolve, or merge Marketing Cooperatives. As of the date of this Disclosure Document, there are Marketing Cooperatives in existence in certain geographic areas. The range provided in the table is what these existing Marketing Cooperatives currently charge their members, but your Marketing Cooperative will determine your contribution level, so it could exceed this range.

13. **Successor Franchise Fee**. If you are approved to acquire a successor franchise upon the expiration of your Franchise Agreement, you will sign our then-current forms of renewal addendum and

franchise agreement (which may contain terms and conditions materially different from those in the form of Renewal Addendum and Franchise Agreement attached to this Disclosure Document) and pay us a successor franchise fee. The successor franchise fee is due upon the execution of the successor franchise agreement and is payable by wire transfer.

14. **Transfer Fee**. You must pay us a transfer fee if you sell or transfer ownership of your Studio, or if you assign or sell your controlling interest in the Studio to another party. You must pay us this transfer fee in a lump sum by wire transfer at the time you sign the conditional consent to transfer. If the transferee is referred to you by a broker, you must also pay the broker's fees. You do not have to pay a transfer fee if you transfer your individual interest in the Franchise Agreement to a corporation, limited liability company, partnership or similar entity in which you own a controlling interest. If we terminate our conditional consent to the transfer or the transferee's franchise agreement for certain reasons (for instance, if the transfer does not occur or the transferring parties fail to meet the conditions to our consent), and the transferring parties sign a general release, then we will refund the transfer fee. However, if the transferee has already attended any portion of initial training, we will only refund 50% of the transfer fee.

15. **Transfer Fee Deposit**. In the event of a transfer, you must pay us a fee deposit of $5,000 when you sign the conditional consent to transfer. We will refund the deposit to you, less any amounts which may be due under the Franchise Agreement, within 30 days following the effective date of the transfer or the date on which you and the transferee have complied with all terms in our agreement and conditional consent to transfer, whichever is later.

16. **Inventory**. Currently, our affiliate, WAVE, is the sole designated supplier of the following categories of items: (i) all products used in connection with providing services at Studios, including equipment and other essential items, inventory, and tables; and (ii) all products that you may be required to offer for sale at your Studio.

17. **Royalty Underpayments (audit)**. If an examination or audit of your books and records reveals that any payments due or made to us were based upon understated amounts, then within fifteen (15) days after receiving the examination report, you must pay us an amount equal to the payment that would have been due or paid in the absence of understated amounts, minus the payment actually due or made, plus applicable interest, calculated on an annual basis, from the date the disputed amount was originally due until the correct amount is paid. If the understatement is 2% or more, then you will also reimburse us for any costs and expenses, including accounting and attorneys' fees, in connection with the examination or audit.

18. **Defense or Enforcement Costs**. If we are successful in any action based on your breach of the Franchise Agreement, we will be entitled to have you pay our reasonable attorneys' fees, court costs, expenses of litigation and all other costs associated with any other appropriate remedies.

19. **Indemnification**. You must indemnify us and our affiliates from all claims related to your Studio, the Franchise Agreement or your breach of the Franchise Agreement.

20. **Collection Costs**. If you withhold amounts owed to us and we pursue collection of such amounts, you must pay to us all of our costs and expenses, including arbitration and court costs, attorneys' fees, the value of our employees' time, witness fees and travel expenses in connection with our collection efforts.

21. **Arbitration and Proceeding Costs**. The prevailing party of any arbitration or litigation shall be entitled to recover from the other party all costs and expenses, including arbitration and court costs, witness fees, and reasonable attorneys' fees.

22. **Liquidated Damages**. You will be required to pay us the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, Brand Marketing Fund contributions, and Marketing Cooperative contributions, less any cost savings, through the remainder of the term of this Agreement (the "Liquidated Damages") if we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement without cause before its expiration. Liquidated Damages will be equal to the combined monthly average of Royalties, Brand Marketing Fund contributions, and any other fees under this Agreement (without regard to any fee waivers, or other reductions) payable during the 36 months preceding the date of early termination, multiplied by the lesser of (i) 36 or (ii) the number of full months remaining in the Term. The present value of the total calculated at a discount rate of 8%, assuming payment at the end of each month, will be our Liquidated Damages. In addition to Liquidated Damages, we reserve all other remedies we have under the Franchise Agreement.

23. **Alternative Supplier Evaluation**. If you would like us to consider approving a supplier that is not then approved, you must submit your request in writing before purchasing any items or services from that supplier. We will not be obligated to respond to your request, and we may require that you pay us a fee to compensate us for the time and resources we spend in evaluating the proposed supplier. Approval of a supplier may be conditioned on any factors we determine, including requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, and standards of service.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(FRANCHISE AGREEMENT)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee[1]	$39,900	Lump sum	Upon signing Franchise Agreement	Us
Real Property and Utility Security Deposits[2]	$3,000 - $13,200	As arranged	As arranged, generally two months before opening or when lease is executed	Landlord and utility providers
Leasehold Improvements (net of landlord tenant allowances)[3]	$106,800 - $258,000	As arranged	As arranged	Landlord and designated suppliers and contractors and us (if applicable)
Cabinetry and Millwork[4]	$17,300 - $45,000	Lump sum	As arranged	Approved Supplier

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Site Survey Fee[5]	$2,500	Lump sum	No later than 10 days after the date that you sign an approved lease for your Premises	Us
Massage Equipment and Supplies[6]	$15,100 - $21,300	Lump sum	Eight weeks before opening	Our affiliate WAVE
Furniture, Décor and Other Equipment[7]	$12,400 - $20,600	As arranged	Two to three weeks before opening	Third party suppliers
Computer System[8]	$6,800 - $10,800	As arranged	Four to six weeks before opening	Us and designated suppliers or other third party suppliers
Training Program[9]	$1,150 - $3,450 (travel, meal, lodging and other expenses)	As incurred	As incurred	Us and third-party providers
Grand Opening Spend Fee[10]	$15,000	Lump sum	No later than 10 days after the date that you sign an approved lease for your Studio premises (or 10 days after you purchase an existing Studio).	Us
Signs[11]	$5,000 - $10,000	Lump sum	Six to eight weeks before opening	Designated suppliers
Business Licenses and Permits[12]	$100 - $1,000	As arranged	Six to eight weeks before opening	Government agencies or other licensing authorities
Insurance[13]	$4,300 - $15,000	As arranged	At signing of lease	Designated supplier
Miscellaneous Opening Costs[14]	$3,200 - $4,900	As incurred	As incurred	Suppliers
Additional Funds (Three months)[15]	$19,400 - $30,700	As arranged	First three months of operation	Landlord, utilities providers, and other suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[16]	$251,950 - $491,350			

NOTES:

1. **Initial Franchise Fee**. When you sign a Franchise Agreement to develop a single Studio, you must pay us an Initial Franchise Fee of $39,900. You must pay the Initial Franchise Fee as a lump sum by wire transfer. The Initial Franchise Fee is fully earned by us when paid by you.

   If you are signing the Franchise Agreement under an Area Development Agreement under which you or your affiliate previously paid a Development Fee, then, as described in Item 5, you may not be required to pay an Initial Franchise Fee at the time you execute the Franchise Agreement.

2. **Real Property Deposits and Utility Deposits**. If you do not own retail space adequate to open your Studio, you must lease or rent the retail space from a third party. Studios are typically located in upscale retail areas, and require approximately 1,300 to 2,000 square feet. Estimated monthly lease payments range from $2,700 to $6,700 (including common area maintenance payments) depending on the size, condition, and location of the leased premises. Your landlord may require a security deposit before leasing the premises to you, which is typically equal to one month's rent. Some utility companies also may require a security deposit before commencing services. We estimate the total amount of utility security deposits to be approximately $300 to $800.

3. **Leasehold Improvements (net of landlord tenant allowances).** The cost of construction build-out before occupying the leased premises for your Studio, including the cost of design and architectural services and services performed by one of our designated suppliers for construction services, will vary depending on the size of your Studio, the state, city or area in which your Studio is located, the specific location and condition of the premises, the demand for the premises among prospective lessees, the site's previous use, and the nature and extent of improvements required. Typically, costs are higher in large metropolitan areas or if you choose premises with square footage in excess of the high range of 2,000 square feet. The range disclosed in the chart includes the construction management fee you must pay us in the event we approve an exception to the requirement that you use one of our designated suppliers for construction. In addition, the range disclosed in the chart is the range of costs after deducting any landlord allowances (tenant improvements, rent deduction and the like), which may or may not be granted by your landlord. Your construction costs may be higher depending on all of the factors described in this note.

4. **Cabinetry and Millwork**. You must purchase your Studio cabinetry and millwork from our designated supplier. The cost of these items will vary depending on the size of your Studio, the brands purchased, the quality of the items purchased and other factors such as freight to your Studio.

5. **Site Survey Fee**. No later than 10 days after the date that you sign an approved lease the Premises, you must pay to us a non-refundable site survey fee equal to $2,500, in the form of a lump sum payment by ACH.

6. **Massage Equipment and Supplies**. You must purchase from our affiliate WAVE specific massage equipment and supplies for the operation of the Studio as detailed by us in the Operations Manual. The range of estimated costs represents the minimum equipment required to the maximum equipment recommended (depending on the number of rooms in your Studio and the equipment selected).

7. **Furniture, Décor and Other Equipment**. You must purchase furniture, interior signage, and décor items for your Studio as specified by us in the Operations Manual or otherwise. The cost

will depend on supplier financing terms (if available), the brands purchased, the quality of the items purchased and other factors.

8. **Computer System**. Before opening your Studio, we typically require you to purchase three computer workstations and related equipment and our designated and other software programs. Your minimum requirements for these items are designated in the Operations Manual and in Items 8 and 11 of this Disclosure Document. You must pay us a $499 set-up fee for the set-up of certain required software programs, a $75 fee for gift card program set-up, and the Technology Fee for two months before opening ($475 per month), each of which is included in the estimate range stated in the Table.

9. **Training Program Expenses**. You must pay your own transportation, meals, lodging and any other living expenses for you and any other persons attending the Training Program outlined in Item 11 of this Disclosure Document. Part of the Training Program also includes the requirement that you (or your Operating Partner, as defined in Item 15) and other Training Program attendees of experience a massage session, and you will be required to pay for that massage session. If such massage session is at a Studio owned by us or an affiliate, you and your trainees will pay us or affiliate approximately $69 to $99 per trainee. We anticipate most franchisees will send up to three trainees, and in that case the fee payable to us or our affiliate would be $207 to $297. The amount you spend per individual will depend on the distance traveled and the type of accommodations you choose. The estimate contemplates attendance by you and two other people traveling to our Support Center office in Colorado for approximately four days. The estimates do not include any wages or salary you may choose to pay yourself or others while attending the Training Program.

10. **Grand Opening Spend Fee**. No later than 10 days after the date that you sign an approved lease for your Premises (or 10 days after the date you purchase an existing Studio), you must pay to us the Grand Opening Spend Fee of $15,000 by ACH. The Grand Opening Spend Fee is in addition to your Local Marketing Spend Requirement. We will use the Grand Opening Spend Fee to advertise, market, and promote your Studio using any suppliers we may designate in accordance with a marketing and recruiting plan that we determine.

11. **Signs**. The estimate includes one exterior sign which bears the Marks. The cost of the signs varies depending on the type, size and location of the sign, and may also be affected by shipping costs, as well as local zoning and other ordinances and regulations and landlord restrictions. If you want additional exterior signs, your cost will be higher.

12. **Business Licenses and Permits**. The cost includes the licenses and permits required to operate a Studio in your location. The license and permit requirements are specific to the state and city/town in which your Studio is located. Certain states may require that you file and post a bond, the estimated cost of which is not included in the table.

13. **Insurance**. You must obtain insurance coverage from our designated supplier as described in Item 8 of this Disclosure Document. Your landlord may require additional insurance. Under our required insurance program, you pay 20% of the annual premium up front and the remaining premiums for the year in equal installments on a monthly basis. The estimate shown in the table reflects the initial 20% payment, which you will pay before your Studio opens. However, franchisees have the option of paying the entire annual premium up front. If you elect to pay your entire annual insurance premium up front, these figures will be higher.

14. **Miscellaneous Opening Costs**. This cost includes other start-up costs and expenses (including reasonable pre-opening salary costs for your employees) but does not include any advisor fees or bank financing costs you may incur.

15. **Additional Funds (first three months of operations)**. The range of estimated costs represents your estimated initial start-up expenses (other than the amounts separately identified in the table), which include payroll costs (excluding a draw or salary for you or your manager if you are not the manager), lease payments, marketing expenses, uniform expenses, the costs of supplies, and other operating expenses. The three-month period is not intended, and should not be interpreted, to identify a point at which your Studio will break even. This estimated amount may vary based on a number of factors, including the extent to which you follow our methods and procedures, local economic conditions, the local market for your services, competition, sales levels, local wage rates (and the prevailing minimum wage rate in your jurisdiction), owner's salary, the extent of your actual participation in the Studio, your business acumen, your partners or shareholders (if applicable), and any other persons involved in the Studio. We relied on our and our affiliates' many years of business experience in selling and supporting Elements Massage®, Amazing Lash Studio®, and Fitness Together® franchises to compile these estimates.

16. **Total Estimated Initial Investment**. You should review these figures carefully with your professional advisors, including financial and legal advisors, before making any decision to purchase a Studio. The amounts may vary based on your geographic location. You should consider the costs of each of the items described in this Disclosure Document in your geographic location. Fees paid to us are not refundable under any circumstances, unless otherwise stated in the Franchise Agreement. Fees or costs due to any other entity are subject to the terms set under their agreements. Inflation, discretionary expenditures, fluctuating interest rates and other factors may affect your actual costs to open your Studio. You are responsible for all costs and variances from the estimated costs in this Item 7, or variances from any other estimates we may provide during any phase of the development of your Studio. The availability and terms of financing depend on the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation and may not include all state and local taxes. We do not currently finance any portion of the initial investment.

YOUR ESTIMATED INITIAL INVESTMENT

(AREA DEVELOPMENT AGREEMENT)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee[1]	$79,800 to $299,000	Lump sum	Upon signing Area Development Agreement	Us
Additional Funds (3 months)[2]	$0	Not applicable	Not applicable	Not applicable
TOTAL ESTIMATED INITIAL INVESTMENT[3]	$79,800 to $299,000			

NOTES:

1. **Development Fee**. If we grant you the right to develop two or more Studios under an Area Development Agreement, you must pay us a one-time Development Fee upon executing your Area Development Agreement. Your Development Fee will depend on the number of Studios we grant you the right to develop within the Development Area and is calculated as follows: (1) $79,800 if you sign an Area Development Agreement in which you agree to develop two studios; (2) $34,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop three to five studios; and (3) $29,900 multiplied by each Studio you agree to develop if you sign an Area Development Agreement in which you agree to develop six or more studios. Typically, an area developer is expected to develop two to 10 Studios and the range of the Development Fee in that case would be $79,800 to $299,000. The Development Fee is due in a lump sum when you sign your Area Development Agreement. The Development Fee is fully earned by us upon your execution of the Area Development Agreement.

2. **Additional Funds (Three Months)**. Based on our and our affiliates' many years of business experience in selling and supporting Elements Massage®, Amazing Lash Studio®, and Fitness Together® franchises, we estimate that you will not require any additional funds for the first three months of operating your development business. However, as described in Note 3 below, you will incur fees and expenses in opening each Studio you commit to develop under the Area Development Agreement. Those additional funds are reflected in the table above reflecting the initial investment necessary to commence operation of a Studio.

3. **Total Estimated Initial Investment**. This amount is in addition to the fees and expenses you will incur in opening each Studio you commit to develop under the Area Development Agreement. Fees paid to us are not refundable under any circumstances. We do not currently finance any portion of the initial investment for an Area Development Agreement.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Product Specifications and Designated/Approved Suppliers

You must purchase or lease the brands, types, and models of fixtures, furniture, equipment, components of the Computer System, and signs that we approve for Studios as meeting our specifications and standards for quality, design, appearance, function, and performance ("Operating Assets"). You must comply with all of our System Standards for the purchase of all Operating Assets, and other products used or offered for sale at your Studio.

We also have the right to designate specific suppliers for the products and services used and sold in Studios. If we have approved or designated suppliers for any such item, you must obtain those items exclusively from the suppliers we have approved or designated. We may designate ourselves, our affiliates or a third party as an approved or designated supplier, or as the sole approved or designated supplier of any item.

Currently, our affiliate, WAVE, is the sole designated supplier of the following categories of items: (i) all products used in connection with providing services at your Studio, including but not limited to equipment and other essential items and inventory and tables; and (ii) all products that you may be required to offer for sale at your Studio. We may add or remove items from the list of required products and services that you must acquire from us or our affiliates periodically in our discretion.

Currently, we have designated suppliers for advertising and promotional materials and other stationery supplies, digital marketing services, design, architecture and construction services, furniture and fixtures, massage equipment, Studio insurance, music services, software (including scheduling/point-of-sale software and customer satisfaction software), uniforms and apparel, and signs, and hotel accommodations.

You must acquire all other Operating Assets in accordance with our System Standards for suppliers, including purchasing such Operating Assets from suppliers we have approved in advance. We can modify, amend and change our System Standards, the Operations Manual or any other standards and specifications at any time, and will notify you of any such modifications. Notifications may be made by various means, including written or electronic correspondence, verbal or telephone communication, amendments or updates to the Operations Manual, bulletins and similar means of communications.

We estimate that the cost of your purchases from designated or approved suppliers, or according to our standards and specifications will range from approximately 73% to 81% of the total cost of establishing, and approximately 16% to 21% of the total cost of operating, your Studio.

Some of our officers own an interest in one of our parent companies that has WAVE as one of its subsidiaries. Except as described above, neither we nor our affiliates are currently a designated or approved supplier of any products or services.

Alternative Products and Suppliers

If you wish to use any item or service that we have not yet evaluated or (for items that we require you to purchase from designated or approved suppliers) if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit a written request for approval to us. You must not purchase or lease any such item unless the supplier has been approved in writing by us. We will typically provide a response to a written request within 30 days. We are not required to approve any particular supplier. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, and standards of service. We may require you to pay any costs or expenses we incur in connection with the evaluation of your proposed supplier. We may, with or without cause, revoke our approval of any supplier at any time.

Insurance

Throughout the term of the Franchise Agreement (including any renewal periods) you are required to maintain certain minimum amounts and types of insurance coverage as we periodically specify in the Operations Manual or otherwise in writing.

We require you to purchase all insurance policies from a designated vendor and on the terms and according to the specifications we approve, including but not limited to general liability, professional liability, sexual abuse and molestation, cyber-liability, motor vehicle liability, property, worker's compensation, and employment practices liability policies. Other than employment practices coverage, the policies must be occurrence policies, and not claims-made policies. All policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

The types of coverage and minimum coverage limits we specify are for our benefit and are not intended to be relied upon by you as a recommendation as to the types of coverage and coverage limits which are or might be appropriate for your particular Studio. Additional types of coverage and higher coverage limits might be appropriate based upon, for example, the location of your Studio, and we recommend that you consult with your insurance advisor regarding the appropriate types of coverage and coverage limits sufficient to protect your Studio.

Before you open your Studio, and then routinely or at our request, you must provide us or our designee with copies of your certificates of insurance, insurance policy endorsements, or other evidence that you are maintaining our requiring insurance coverages and paying premiums. The certificates must show the minimum limits of coverage required by us and must provide that the insurance cannot be canceled, terminated, materially amended or modified without providing us and any other additional insureds 30 days' advanced written notice. Each insurance policy for your Studio must designate as additional insured parties us and any affiliates we may periodically designate.

Purchase Arrangements

We have negotiated purchase arrangements with certain designated suppliers for the benefit of the Franchise System. We or our affiliates may derive revenue or profit from your dealings with such designated suppliers in the form of rebates, cash payments, discounts, promotional allowances, and/or other payments. We have these types of arrangements only with the designated suppliers disclosed in this Item 8. We also derive revenue on direct purchases that you make from us or from our affiliates. We retain all of the rebates, commissions or other consideration we are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

Revenue from Third-Party Suppliers Based on Franchisee Purchases

The third-party designated suppliers from whom we receive rebates, cash payments, discounts, or other consideration as a result of your purchase of certain equipment, supplies, products and services are listed below.

Massage Equipment. We previously designated a third-party designated supplier of massage equipment and certain massage supplies. Our previous third-party designated supplier paid us 8% of each franchisee order. In the fiscal year ended December 31, 2019, we received payments of $52,364 from this designated supplier. Our affiliate, WAVE, has replaced this designated vendor as reflected below.

Studio Client Communications Software. We have designated a third-party supplier of Studio client communications software. In the fiscal year ended December 31, 2019, we received payments of $22,699 from this designated supplier, $6,061 of which was contributed to expenses associated with our annual franchise meeting.

Insurance. You must purchase insurance from our designated supplier which represents various insurance carriers. We receive 10% of the total commissions that this designated supplier receives from the insurance carriers from whom they obtain your required insurance coverage. In the fiscal year ended December 31, 2019, we received payments of $27,662 from this designated supplier, all of which we contributed toward expenses associated with our annual franchisee meeting.

Specialty Massage Oil & Cream. We have designated a third-party supplier of specialty massage oil and cream. In the fiscal year ended December 31, 2019, we received payments of $18,669.00 from this designated supplier, all of which we contributed toward expenses associated with our annual franchisee meeting.

Revenue We or Our Affiliates Receive from Franchisee Purchases

We or our affiliates may derive revenue based on your purchases, including: (i) from charging you for products and services we or our affiliates provide to you, and (ii) from payments made to us or our affiliates by suppliers that we designate or approve for our franchisees. In the fiscal year ended December 31, 2019, we or our affiliates derived revenue from required purchases by franchisees as follows:

Technology Fees. We received revenues of $907,143 from our franchisees' use of required software programs and websites, which was 3.6% of our total revenues of $25,090,965. You must pay us a set-up fee and a monthly fee to use the required point-of-sale and other management information software programs required to operate your Studio. The monthly fee is included in the technology fee payable to us. A portion of the monthly technology fee is remitted to the licensors of the software programs and we retain a portion of the monthly fee.

Equipment and Products: Our affiliate, WAVE, received $58,407 from franchisee purchases of equipment and products.

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	Disclosure Document Item
a. Site selection and acquisition/lease	2.A., 2.B., 2.C. Area Development Agreement – 2.B	5, 7, 8, 11, 12
b. Pre-opening purchase/leases	2.B., 2.D., 2.E., 2.F., 2.H., 3.C., 4.A., 8.A., 9.A.	5, 7, 8, 11
c. Site development and other pre-opening requirements	2.D., 2.E., 2.F., 2.H. Area Development Agreement – 2.B	5, 7, 8, 11
d. Initial and ongoing training	2.H., 4.A., 4.B., 4.C., 8.A., 8.H., 12.C., 14.B.	6, 7, 11
e. Opening	2.H. Area Development Agreement – 1.B, 2.D	5, 7, 11
f. Fees	2.B., 2.D., 3.A., 3.B., 3.C., 3.D., 3.E., 3.G., 4.A., 4.C., 8.E., 8.M., 8.N., 9.A., 9.B., 9.D., 9.E., 9.F., 12.C., 12.D., 12.F., 13.A., 14.C., 15.B., 15.E., 16.D., 17.D., 17.F. Area Development Agreement – 3	5, 6, 7, 8, 11
g. Compliance with standards and policies/ Operations Manual	2.D., 4.A., 4.D., 5.B., 8.A., 8.B., 8.F., 8.H., 8.I., 8.L, 9.F., 10, 17.K., 19	1, 8, 11, 13, 14, 15, 16

	Obligation	Section in Franchise Agreement	Disclosure Document Item
h.	Trademarks and proprietary information	1.C., 5.A., 5.B., 5.C., 5.D., 5.E., 7.A., 8.A., 9.F., 14.B., 15.C. Area Development Agreement – 4	8, 11, 13, 14, 16
i.	Restrictions on products/services offered	2.C., 7.A., 8.A., 8.B., 8.D., 8.E., 8.K., 8.L., 8.N.,	8, 11, 16
j.	Warranty and customer service requirements	4.D., 8.A., 8.F. 8.L.	11, 16
k.	Territorial development and sales quotas	1.C., 1.D. Area Development Agreement – 2.D	12
l.	Ongoing product/service purchases	4.A., 4.C., 8.A., 8.B., 8.C.,8.D., 8.E., 8.J., 8.M., 8.N., 9.B., 9.D., 9.E.,	6, 8, 11
m	Maintenance, appearance and remodeling requirements	2.E., 2.H., 4.C., 8.A., 8.B., 8.C., 12.C., 13.A., 13.B.	8, 11, 17
n.	Insurance	8.I., 8.J.	6, 7, 8
o.	Advertising	5.B., 8.A., 8.C., 8.F., 8.K., 9.A., 9.B., 9.C., 9.D., 9.E., 9.F, 10.B., 16.A.	6, 8, 11
p.	Indemnification	5.E., 16.D. Area Development Agreement – 8.B	6
q.	Owner's participation/management/staffing	1.A., 1.B., 1.H., 4.A., 8.A., 8.H., 8.I., 12.F., 14.C. Area Development Agreement – 1.D	15
r.	Records and reports	3.G., 4.C., 6.A., 8.A., 8.F., 10, 11.A., 11.B., 12.C., 14.B., 19 Area Development Agreement – 2.E	N/A
s.	Inspections and audits	4.C., 8.B., 8.G., 11.A., 11.B.	6
t.	Transfer	12 Area Development Agreement – 6	6, 17
u.	Successor Franchise	13.A., 13.B.	6, 17
v.	Post-termination obligations	6.A., 6.B., 15.A., 15.B., 15.C., 15.D., 15.E., 15.F., 15.G., 15.H., 15.I. Area Development Agreement – 7.B, 7.C	6, 17
w.	Non-competition covenants	7.A., 15.F., 17.B. Area Development Agreement – 5, 7.C	17
x.	Dispute resolution	17.F., 17.G., 17.H., 17.I., 17.J., 17.L. Area Development Agreement – 9	17
y.	Other: Licenses	2.H. 8.F., 8.I.	1, 7

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, we are not required to provide you with any assistance.

Pre-Opening Obligations.

Before you open your Studio, we or our designee will:

1. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease. (Sections 2.A. and 2.B. of Franchise Agreement);

2. If you have signed an Area Development Agreement, we will review sites you propose for a Studio and, if approved, issue you a Franchise Agreement. We are obligated to use reasonable efforts to provide you with our decision within 30 days of our receipt of all requested information and materials regarding the proposed site. (Section 2.B. of Area Development Agreement);

3. Give you mandatory and suggested specifications for the development of your Studio, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. (Section 2.D. of Franchise Agreement);

4. Provide you access to our Operations Manual. (Section 4.D. of the Franchise Agreement);

5. Provide the Training Program to you (or your "Operating Partner," if you operate as a legal business entity and as such term is defined in Item 15) and your Designated Manager (as defined in Item 15), if any. (Section 4.A. of Franchise Agreement); and

6. Provide you with a list of Operating Assets. (Section 2.E. of Franchise Agreement).

Post-Opening Obligations

During the operation of your Studio, we or our designee:

1. May provide general guidance to you from time to time regarding your Studio's operation, as we deem appropriate, based on your reports or our inspections. (Section 4.C. of Franchise Agreement); and

2. Will administer the Brand Marketing Fund and, at your request, provide an annual unaudited statement of contributions and disbursements for the Brand Marketing Fund within 120 days after the end of the previous fiscal year. (Section 9.D. of Franchise Agreement).

During the operation of your Studio, we may, but are not obligated to, provide assistance in setting a maximum or minimum price that you may charge for products and services offered by your Studio. (Section 8.K. of Franchise Agreement)

Site Selection and Construction

You must identify and secure a site for your Studio's Premises within a non-exclusive Search Territory (as defined in Item 12) specified in your Franchise Agreement. We do not typically own the Premises for your Studio or lease it to you. If you have signed an Area Development Agreement, you must find all sites for your Studios in your Development Area, and our then-current site criteria will apply when considering each proposed site in your Development Area. When you identify a proposed site, you must submit to us a complete report containing the documents and information we require, including a description of the site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. Our review and approval is conditioned on a variety of factors, including the site's demographics, location, and proximity to other businesses, the character of the neighborhood, the size and appearance of the premises to be leased, and other characteristics and criteria that may change. We will use reasonable efforts to accept or not accept the proposed site within 30 days after receiving your report. You must obtain our written approval for your proposed site and sign an approved Lease (as defined below) within 180 days after your sign your Franchise Agreement. You must open your Studio within one year after you sign the Franchise Agreement or we may terminate the Franchise Agreement.

Before signing any lease, sublease, or other document for the Premises (the "Lease"), you must obtain our written approval. The Lease must contain certain provisions we require, pursuant to the form of Lease Rider attached as Exhibit F to the Franchise Agreement. It is your sole responsibility to obtain a fully executed Lease Rider when executing your Lease. You must furnish to us a copy of the executed Lease within 10 days after its execution.

You must develop, construct and decorate the Premises at your own expense according to plans and specifications approved by us and in accordance with the requirements of the Lease and applicable law. It is your responsibility to ensure all required construction plans and specifications comply with the Americans with Disabilities Act ("ADA") and all other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions, and that the Premises complies with such laws and regulations. You must hire a service provider that we designate to assist you with the construction-management process. Additionally, no later than 10 days after you sign an approved Lease for the Premises, you must pay to us a non-refundable site survey fee equal to $2,500, in the form of a lump sum payment by ACH.

You must send us your development and construction plans and specifications for review for compliance with our design requirements and obtain our approval before you begin construction. You must send us any revisions of plans or specifications before such revisions are implemented. You must obtain and install the Operating Assets that we approve or designate for Studios only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

Opening Your Studio

You may not open your Studio for business without our written authorization, which will be conditioned upon the following: (i) we notify you in writing that your Studio meets our standards and specifications; (ii) you (or your Operating Partner) and any manager or assistant manager we require have satisfactorily completed the Training Program (as defined below); (iii) you have paid us all initial fees and other amounts you owe us; (iv) you have provided us certificates for all required insurance policies; (v) you obtain all required supplies and opening inventory for your Studio; (vi) you have obtained waivers of all construction liens and similar encumbrances; (vii) you hire a minimum of six massage therapists; (viii) you submit a completed trade area survey and a proposed advertising and marketing plan for approval (as further described below); and (ix) you meet all regulatory and licensing requirements to operate your Studio.

We will send a training team (which may be comprised of only one person) for up to five days (which may not be consecutive) to your Studio to assist you with final suggestions on your Studio and provide on-site advice, guidance, and initial operations support.

We estimate that it will be approximately eight to 12 months from the time you sign the Franchise Agreement to the time your Studio begins operations. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Studio and other factors, such as delays or difficulties in obtaining financing, building permits, zoning and local ordinances, weather conditions, shortages of materials or delayed installation of equipment, fixtures or signs. You must open your Studio within 12 months after signing the Franchise Agreement or we may terminate the Franchise Agreement.

Advertising and Marketing

Grand Opening Spend Fee. No later than 10 days after the date that you sign an approved Lease for your Premises (or 10 days after the date you take possession of an existing Studio), you must pay to us a Grand Opening Spend Fee of $15,000 by ACH. The Grand Opening Spend Fee is in addition to your Local Marketing Spend Requirement. We will use the Grand Opening Spend Fee to advertise, market, and promote your Studio in accordance with a marketing and recruiting plan that we determine.

Local Marketing Spend Requirement. You must pay us the Local Advertising Fee of $1,625 per month. We may modify the amount of your Local Advertising Fee periodically; provided, however, we shall not increase the Local Advertising Fee by more than 10% on an annual basis. We currently collect the Local Advertising Fee on the 15th day of each month for the preceding month. We may change the day of the month on which we collect the Local Advertising Fee. In addition, you must spend a minimum of 2% of the Gross Receipts of your Studio each year toward approved advertising, marketing and promotional programs for your Studio within an area reasonably surrounding your Studio (the "Local Spend Amount"). We refer to the Local Advertising Fee and your Local Spend Amount together as the "Local Marketing Spend Requirement." Your Local Marketing Spend Requirement excludes any contributions you make to the Brand Marketing Fund (as defined below), but any contributions you make to a Marketing Cooperative (as defined below) will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the Local Spend Amount. We or our affiliates may be a supplier of local advertising, marketing and promotional programs for your Studio.

At least 90 days before you open your Studio (or if you are purchasing an existing Studio, at least 30 days before taking possession of the Studio), you must submit to us a completed trade area survey and submit to us for approval an advertising and marketing plan describing your pre-opening advertising plan and your plan for the first three months after the Studio's opening or purchase. You will not be permitted to open and/or operate your Studio until we receive the completed trade area survey and approve this advertising and marketing plan. Subsequent to such period, and during the term of your Franchise Agreement, you must prepare and execute an advertising and marketing plan that you must provide to us upon our request. You must also provide to us upon request information about the results achieved from implementing your advertising and marketing plan and meeting your Local Marketing Spend Requirement.

Advertising Standards. Your advertising, promotion, and marketing must be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, the System Standards, and any marketing and the advertising and marketing policies that we prescribe from time to time. You agree to send us samples of all advertising, promotional and marketing materials that we have not previously approved at least 14 days before you intend to use them. If we do not approve of the materials within seven days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You must participate in and market any promotion we require.

Brand Marketing Fund. We have established an advertising and marketing fund (the "Brand Marketing Fund") for the marketing, recruiting, advertising, and promotional programs and materials we deem appropriate. You must make periodic contributions to the Brand Marketing Fund equal to 2% of the Gross Receipts of your Studio. As of the issuance date of this Disclosure Document, other franchisees may be contributing to the Brand Marketing Fund on different terms. Your required contributions to the Brand Marketing Fund shall be payable at the same time as the payment of the Royalty, based on Gross Receipts for the immediately preceding reporting period and are in addition to amounts you are required to spend for your Local Marketing Spend Requirement. We have the right to collect for deposit into the Brand Marketing Fund any advertising, marketing, or similar allowances paid to us by suppliers to the Franchise System who instruct us to use the allowances for advertising or marketing purposes. We may incorporate the Brand Marketing Fund or operate it through a separate entity as we deem appropriate. We have no fiduciary obligations to you in connection with our administration of the Brand Marketing Fund. We do not use any of the funds contributed to the Brand Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Brand Marketing Fund on the same basis as you and our other franchisees.

We designate all programs to be financed by the Brand Marketing Fund and have sole control over the creative concepts, materials, and endorsements prepared and used and their geographic, market, and media placement and allocation. The Brand Marketing Fund may be used for any purpose to promote the Franchise System, the Marks, the patronage of Studios and the Elements Massage brand, including the costs of: (1) preparing and producing video, audio, and written materials (including marketing and promotional materials and local studio marketing advertisements we prepare) and electronic media; (2) administering national, regional, multi-regional, and local marketing, recruiting, advertising, and promotional programs, including purchasing space in print publications, direct mail, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; (3) supporting public relations, market research, and other marketing, recruiting, advertising, and promotional activities; (4) developing and maintaining website(s) for the Franchise System; (5) administering online marketing, recruiting, advertising, and promotional campaigns (including search engine, social media, email, and display ad campaigns); and (6) developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices.

We determine the use of the funds contributed to the Brand Marketing Fund, including allocating a portion of any Brand Marketing Fund contributions to any national, regional, multi-regional, or local marketing, recruiting, advertising, and promotional programs we may establish in the future. We are not required to spend any particular amount on marketing, recruiting, advertising or promotion in the area in which your Studio will be located. In addition, we are not required to ensure that Brand Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Brand Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of marketing, recruiting, advertising, or promotional materials directly or in proportion to its Brand Marketing Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Marketing Fund. Except as specifically provided in your Franchise Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Brand Marketing Fund.

The Brand Marketing Fund is accounted for separately from our other funds and we do not use the Brand Marketing Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Marketing Fund and its programs, including conducting market research, preparing marketing, recruiting, advertising, and promotional materials, and collecting and accounting for Brand Marketing Fund contributions. The

Brand Marketing Fund may spend in any fiscal year more or less than the total Brand Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If we terminate the Brand Marketing Fund, we will spend all unspent amounts on marketing activities specified by the Franchise Agreement.

We are not required to audit the Brand Marketing Fund, but we will prepare an annual unaudited statement of monies collected and costs incurred by the Brand Marketing Fund and furnish the previous fiscal year's statement to you upon written request, within 120 days after the end of our previous fiscal year.

In the fiscal year ended December 31, 2019, contributions to the Brand Marketing Fund were spent as follows: 28.5% for production & professional services; 28.6% for media placement; 13.9% for administrative expenses; and 29.0% on other expenses (consisting of 7.5% for expenses related to brand awareness efforts such as promoting the Elements Massage brand among the massage industry at conferences and massage schools; 10.9% for public relations; and 10.6% for research and test marketing).

Marketing Cooperatives. We may, but are not obligated, to designate any geographic area in which three or more Studios are located as an area in which to establish a marketing cooperative ("Marketing Cooperative"). The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. We may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. We may designate, approve or develop standards and specifications for Marketing Cooperative suppliers. We will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration and determination of contribution levels. All Marketing Cooperatives will be governed by written documentation we designate or approve and such documentation is available for Marketing Cooperative member review. We may form, modify, change, dissolve, or merge Marketing Cooperatives. We will not use funds contributed to a Marketing Cooperative to solicit new franchise sales.

As of the issuance date of this Disclosure Document, there are three Marketing Cooperatives in existence.

Franchise System Website. We may establish, acquire, or host any website(s) for recruitment purposes or to advertise, market, and promote Studios, the products and services that they offer and sell, and/or a Studio franchise opportunity (a "Franchise System Website"). We may (but are not required to) provide you with a webpage on a Franchise System Website that references your Studio. If we provide you with a webpage on a Franchise System Website, you must: (1) provide us the information and materials we request to develop, update, and modify your webpage; (2) notify us whenever any information on your webpage is not accurate; and (3) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage and obtain our approval. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated email address, any website analytical data, and any personal or business data that visitors supply). If we provide you with a webpage on a Franchise System Website, we reserve the right to charge you a fee for such webpage as part of the Technology Fee. We periodically may update and modify any Franchise System Website (including your webpage).

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with your Franchise Agreement and all System Standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under your Franchise Agreement or our System Standards, then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Websites upon the Franchise Agreement's expiration or termination.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions, which may include additional monthly fees.

Except as provided above, or as approved by us in writing or in the Operations Manual, you may not develop, maintain or authorize any Online Presence (as defined in Item 13) that mentions your Studio, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Studio, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

Franchisee Committees. We have established and receive input and feedback regarding advertising and marketing from a marketing advisory committee (the "Marketing Advisory Committee") consisting of franchisees. There is no formal method for selecting the franchisees who serve on the Marketing Advisory Committee. The Marketing Advisory Committee serves in an advisory capacity only and does not have operational or decision-making power. We may alter the function and/or composition of the Marketing Advisory Committee at any time, and may otherwise form, change or dissolve the Marketing Advisory Committee.

In October 2008, we established the Franchise Advisory Committee, consisting of members of Franchisor's management and franchisees. The Franchise Advisory Committee provides feedback and advice to us, but does not have decision-making authority. The Franchise Advisory Committee has not incorporated or otherwise organized under state law. It does not have its own address telephone number, email address or web address.

Computer System

You agree to purchase and use the computer hardware, sales and scheduling software, point-of-sale system, other operating software, applications, platforms and existing or future technology components we specify from time to time (the "Computer System"). We may replace or modify all or components of the Computer System from time to time and you agree to implement our replacements or modifications after you receive notice from us at your expense. We might periodically require you to purchase, lease, and/or license new or modified components of the Computer System and to obtain service and support for the Computer System. You must obtain and install the Computer System, and ensure that the Computer System is functioning properly, before your Studio opens. You must pay for any proprietary software, applications or other technology that we, our affiliates or third-party designees license to you and for other maintenance and support services that we, our affiliates or third-party designees provide during your Franchise Agreement's term. We or our affiliates may condition your license or use of any proprietary software, applications or other technology that we or our affiliates designate, develop or maintain, on your signing a license agreement or similar document that we or our affiliates approve to regulate your use of, and our and your respective rights and responsibilities with respect to, such software, applications or other technology. The Computer System must give us and our affiliates access to all information generated by the Computer System, including pricing and client information for your Studio. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data. You are solely responsible for acquiring, operating, maintaining and upgrading: (1) the Computer System; (2) the connectivity of your Computer System (including the point-of-sale system); and (3) third-party interfaces between the Computer System and our and any third party's computer system. You are solely responsible for any and all consequences if the Computer System is not properly operated, maintained, and upgraded. You also are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures or attacks.

We cannot estimate the future costs of the Computer System (or replacements or modifications) and the cost to you of obtaining the Computer System (including software licenses) or replacements or modification may not be fully amortizable over the remaining term of your Franchise Agreement. Nonetheless, you must incur such costs.

The minimum computer hardware requirements are specified in the Operations Manual or otherwise in writing by us. We typically require you to have three computer workstations. Some of the minimum requirements include the Windows 10 operating system, a Core I5 Intel processor, 8 GB random access memory, and a 500 GB hard drive. You may use any brand of computer hardware that meets these specifications and may acquire your computer hardware from any source. We also require you to have certain peripherals, such as printers. We estimate that the cost to purchase the minimum Computer System will be approximately $6,800 to $10,800, which includes the software set-up fee described below.

We require you to use the designated software programs described in the Operations Manual or otherwise in writing by us. Currently, before you open your Studio, you must pay us a $499 set-up fee to configure the required software programs and a $75 fee for gift card program set-up. You must also pay us a monthly Technology Fee (currently $475 per month) starting two months prior to the opening of your Studio. (See Item 6).

Operations Manual

After you sign the Franchise Agreement, we will provide you one copy of our manual for the operation of Studios, which may include one or more separate manuals, as well as information available on an internet site, other electronic media, bulletins and/or other written materials (collectively, the "Operations Manual"). The Operations Manual contains the System Standards, other specifications, standards and procedures that we suggest, and information on your other obligations under your Franchise Agreement. We may modify the Operations Manual at any time. We may post some or all of the Operations Manual on a restricted website or extranet to which you will have access. If we do so, you will monitor and access the website or extranet for any updates to the Operations Manual.

We consider the contents of the Operations Manual to be proprietary, and you must treat them as confidential. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual and you may not disclose the Operations Manual to any person other than any employee of yours who needs to know its contents. You must keep your copy of the Operations Manual current and in a secure location at your Studio.

A copy of the table of contents of the Operations Manual is attached as Exhibit I to this Disclosure Document. The Operations Manual consists of 66 pages.

Training

Training Program. We will provide initial training on the operations of a Studio to you (or your Operating Partner) and your Designated Manager (if applicable) (the "Training Program") at no additional registration fee if all such persons attend the Training Program at the same time. If we provide any portion of the Training Program more than one time, we may charge you our then-current training fee (currently, $500 per attendee, plus costs) for any training that we have previously provided to at least one trainee associated with you. We may also elect not to provide any portion of the Training Program more than once. You may invite additional employees to attend the Training Program if space allows, though we reserve the right to charge you our then-current training fee for each additional individual. We reserve the right to require any additional managers and/or assistant managers of your Studio to attend the Training Program. We reserve the right to limit the number of additional attendees for the Training Program. You may also request that we provide any portion of the Training Program on-site at your Studio, and we will determine whether to provide such portion of the Training Program on-site. If we provide any portion of the Training Program on-site at your Studio, we reserve the right to charge our then-current training fee.

We will provide the Training Program at the times and locations we determine. We reserve the right to vary the Training Program based on the experience and skill level of the individual(s) attending. You (or your Operating Partner) and your Designated Manager (if applicable) must satisfactory complete the Training Program no later than four weeks before the Opening Date. If you (or your Operating Partner) or your Designated Manager (if applicable), or any manager and/or assistant manager required by us, fail to satisfactorily complete the Training Program then we reserve the right to require such individual to attend additional training and you may be required to pay us our then-current training fee for such additional training. Additional training will be provided at a time and location of our choice. If you (or your Operating Partner), or any manager and/or assistant manager required by us (including any applicable Designated Manager), are unable to satisfactorily complete the additional required training, we reserve the right to terminate your Franchise Agreement.

If you appoint a new Operating Partner or Designated Manager, he or she may be required to attend the then-current Training Program within 90 days of the appointment date and you may be required to pay us our then-current training fee, unless we determine that you are sufficiently trained to provide a comparable substitute training program to such new Operating Partner or Designated Manager. If we permit you to train any Operating Partner or Designated Manager yourself, you must provide such training according to our then-current standards and specifications, and we must determine that such Operating Partner or Designated Manager has been adequately trained prior to providing any services at your Studio. If we determine that any Operating Partner or Designated Manager that you trained is not sufficiently trained to provide services at your Studio, we may require such person attend our Training Program and you may be required to pay us our then-current training program fee. If we determine that you are (or your Operating Partner is) sufficiently trained to provide a comparable substitute training program to any Designated Manager, we may elect not to make the Training Program available to such person until the next time our Training Program would otherwise be offered.

The materials used in the Training Program include the Operations Manual as well as other presentation materials, including PowerPoint presentations. Carisa Findley, our Senior Director of Operations Training, directs the Training Program. Ms. Findley has over 11 years of experience in the subjects taught and has more than two years of experience with us.

The following individuals may also assist with the Training Program:

- Alyssa Pivirotto, who is our Director of Franchise Operations, and who has more than 18 years of experience in the subjects taught and more than one year of experience with us.

- Jessica Pratt, who is our Senior Director of Business Systems, and who has more than 14 years of experience in the subjects taught and more than 13 years of experience with us.

- Eric Stephenson, who is our Chief Wellness Officer, and who has more than 21 years of experience in the subjects taught and more than nine years of experience with us.

- Janae Ver Helst, who is our Digital Marketing Manager, and who has more than two years of experience in the subjects taught and more than one year of experience with us.

- Emily Wittels, who is our Senior Marketing Manager, and who has more than six years of experience in the subjects taught and more than three years of experience with us.

- Tony Zak, who is our Senior Director of People Engagement & Development, and who has more than 17 years of experience in the subjects taught and more than two years of experience with us.

The following is a summary of our Training Program:

TRAINING PROGRAM

Subject	Hours of Classroom/Home Study Training	Hours of On-The-Job Training	Location
Finance Tutorial	2.0	0	Home Study and Colorado Support Center
Software Overview	1.0	0	Home Study
Massage Evaluation	2.0	0	Home Study and Colorado Studio
MT Certification Course	1.0	0	Home Study
WMA Certification Course	3.5	0	Home Study
Operations Manual	2.0	0	Home Study
Foundation and System Overview	4.0	0	Colorado Support Center
Massage Industry Education and Safety Protocols	6.0	0	Home Study and Colorado Support Center
MT Role and Service Path	6.0	0	Home Study and Colorado Support Center
WMA Role and Service Path	5.0	0	Home Study and Colorado Support Center
Software	3.5	0	Colorado Support Center
Marketing	3.0	0	Home Study and Colorado Support Center
Staffing/Scheduling/Studio Management/Training Resources	12.0	0	Home Study and Colorado Support Center

Subject	Hours of Classroom/Home Study Training	Hours of On-The-Job Training	Location
Key Performance Indicators and Client Satisfaction	1.0	0	Colorado Support Center
Total Hours	**52**	**0**	

Personnel Training. You are responsible for providing a training program concerning the operation of your Studio in accordance with our System Standards for all your employees other than the attendees of the Training Program. All employees must pass the program, to your satisfaction, prior to providing services at your Studio. We reserve the right to approve the length and content of all training programs you provide to your employees and to require specific mandatory training for certain job positions to ensure compliance with our System Standards.

Annual & Regional Meetings; Other Training Courses, Program, and Events. We may require you (or your Operating Partner) and/or certain other managers and employees of your Studio (including any applicable Designated Manager) to attend or otherwise complete various training courses (including but not limited to electronic training courses), trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us, including courses and programs provided by third parties we designate.

In addition to these training courses, programs, and events, you (or your Operating Partner) and any applicable Designated Manager are required to attend any scheduled annual meeting of franchise owners. You will be required to pay our then-current registration fee. If you do not attend, we will charge you the default fee (see Item 6) for failing to attend. We may additionally require you (or your Operating Partner) to attend regional meetings for franchise owners. These annual and regional meetings will be held when we determine at locations we designate.

Advanced Manager Training Program. After your open your Studio for business, we may offer you (or your Operating Partner) and any applicable Designated Manager, based on the factors that we determine, the opportunity to attend an advanced manager training program. If we offer such training and you elect to attend such training, you may be required to pay us our then-current training fee (currently, $99 per trainee).

Travel and Living. You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner) or any employee or manager (including any applicable Designated Manager) incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct training, including food, lodging and transportation.

General Guidance. We may periodically advise you regarding your Studio's operation based on your reports or our inspections. We may guide you, in the form of our Operations Manual, with respect to: (1) standards, specifications, and operating procedures and methods that Studios use, including, facility appearance, client-service procedures, and quality control; (2) equipment and facility maintenance; (3) inventory management and working with suppliers; (4) advertising, marketing and branding strategies; and (5) administrative, accounting, reporting and record retention. We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit the Premises and evaluate your Studio.

ITEM 12. TERRITORY

Franchise Agreement

You must select the site for your Studio from within the non-exclusive "Search Territory" identified in Exhibit B to your Franchise Agreement. The Search Territory will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area. You have no rights in the Search Territory other than the right to identify a proposed site for your Studio but after you locate a site acceptable to us, we will grant you a "Protected Area" around that site as described below.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, if you remain in compliance with the Franchise Agreement we will not own or operate, or authorize any person or entity to own or operate, Studios in the "Protected Area" identified in Exhibit B of the Franchise Agreement (the "Protected Area") during the term of the Franchise Agreement. If the location of your Studio has not been identified at the time you sign your Franchise Agreement, your Protected Area will be assigned to you at the time that your Studio's Premises is determined. We will typically define the boundaries of a Protected Area as a circle with the Studio at its center and a radius of 1.5 miles. But, in some cases (for instance in densely populated urban areas), we may define the boundaries of your Protected Area by political subdivisions, streets, ZIP codes, or other similar designations, and the Protected Area in that case may be less than a circle with a 1.5-mile radius. We determine the boundaries of each Protected Area on a case-by-case basis based on various factors, such as: the population in the surrounding area; traffic volume and traffic patterns; proximity to retail centers, residential areas, businesses and other potential customer sources; and other site-specific data we determine. If you are signing a Franchise Agreement in connection with an Area Development Agreement, our then-current criteria will apply when determining the Protected Area under that particular Franchise Agreement.

You cannot relocate your Studio without our prior written approval. In considering a request to relocate your Studio, we consider factors such as the proposed site's demographics, location, proximity to other businesses, the character of the neighborhood, the size and appearance of the premises to be leased, and other characteristics and criteria that may change. If we grant you the right to relocate your Studio, you must comply with all of the site selection and lease requirements set forth in your Franchise Agreement. All of the costs associated with relocating your Studio will be solely your responsibility.

Other than your rights described above with respect to your Protected Area, we (and our affiliates) retain all rights with respect to the placement of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities, without compensation to you. These rights include:

1. The right to establish and operate, and allow others to establish and operate, other Studios and other businesses using the Marks or the Franchise System, at any location outside the Protected Area, and on any terms and conditions we approve;

2. the right to establish and operate, and allow others to establish and operate, additional concepts or businesses providing products or services similar to those provided at Studios anywhere in the

world, including within your Protected Area, under any trade names, trademarks, service marks and commercial symbols other than the Marks;

3. the right to establish, and allow others to establish, other distribution channels (including, the internet or retail stores) wherever located or operating, including within your Protected Area, regardless of the nature or location of the clients, and regardless of the trade names, trademarks, service marks or commercial symbols used by such business, which may include the Marks and/or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and which may sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell under any terms and conditions we approve;

4. offer and sell (and grant others to offer and sell) goods and services to clients located anywhere, including in your Protected Area;

5. the right to establish and operate, and allow others to establish and operate, other Studios and other businesses using the Marks or the Franchise System, at Captive Market Locations. "Captive Market Locations" are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Protected Area.

6. the right to acquire, to merge, or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) a business providing products and services similar to those provided at Studios, even if such business operates, franchises and/or licenses Competitive Businesses (as defined in Item 17); and

7. engage in all other activities not expressly prohibited by your Franchise Agreement.

You may not sell any products or services offered by Studio or using the Marks to customers wholesale or through alternative channels of distribution, including the internet or retail stores.

Area Development Agreement

While you are in compliance with the Area Development Agreement and all your Franchise Agreements, we will not establish or license others to establish Studios within your Development Area during the term of the Area Development Agreement. You are not required to achieve certain sales volume, market penetration or other contingencies in order to maintain your protection for the Development Area, but your failure to comply with the Development Schedule will be a material breach of the Area Development Agreement, which may result in our terminating the Area Development Agreement, granting similar development or franchise rights to others within the Development Area, reducing the size of the Development Area, or reconfiguring the Development Area, in each case as we determine.

The Area Development Agreement grants you the right to acquire franchises to develop, own and operate Studios within the designated "Development Area" that will be described in Exhibit A attached to the Area Development Agreement.

The boundaries of the Development Area will be described by map coordinates, city limits, counties, states, or other boundaries when appropriate. We will determine in our discretion the Development Area we will offer to you before you sign the Area Development Agreement. We determine the size of the Development

Area based on multiple factors, including demographics, traffic patterns, competition, your capacity to recruit and provide services in the Development Area, and site availability among other economic and market factors.

We and our affiliates retain the right to: (1) establish, operate and allow others to establish and operate, Studios using the Marks and Franchise System, at any location outside the Development Area on terms and conditions we deem appropriate; (2) establish, operate and allow others to establish and operate other therapeutic massage studios, anywhere in the world, that may offer products and services that may be identical or similar to products and services offered by Studios, but under trade names, trademarks, service marks and commercial symbols other than the Marks; (3) operate or license others to operate Studios that we or our designee acquires from a franchisee as a result of the exercise of our right of first refusal or right to purchase as provided in the Franchise Agreement; (4) establish, operate and allow others to establish and operate other businesses and distribution channels (including the Internet or retail stores), wherever located or operating and regardless of the nature or location of the customers with whom these other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and that sell products or services that are identical or similar to, or competitive with, those that Studios customarily sell; and (5) establish, operate, and allow others to establish and operate businesses using the Marks or any other trade names, trademarks, service marks or commercial symbols at Captive Market Locations (which, under the Area Development Agreement, are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Development Area). In addition, we specifically retain the right under the Area Development Agreement to: (a) acquire the assets or ownership interests of one or more businesses including Competitive Businesses (as defined in Item 17), and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including in the Development Area); (b) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by any Competitive Business, even if this business operates, franchises or licenses these businesses in the Development Area; (c) operate or grant a third party the right to operate any Studios that we or our designees acquire as a result of an exercise of a right of first refusal or purchase right under a Franchise Agreement; and (d) engage in all other activities not expressly prohibited by the Area Development Agreement.

You will not receive an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will not, however, establish or license others to establish Studios within your Development Area during the term of the Area Development Agreement while you are in compliance with its terms and those within your Franchise Agreements as described above.

You may not engage in any promotional or similar activities, directly or indirectly, through or on the Internet, catalog sales, telemarketing or other direct marketing campaigns, without our consent.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Development Area.

ITEM 13. TRADEMARKS

The Franchise Agreement grants you a non-exclusive license to use the Marks. All of the primary Marks described below are registered on the Principal Register of the United States Patent and Trademark Office ("USPTO") and all required affidavits and renewals for the Marks have been filed.

Mark	Registration Number	Registration Date
Elements Massage	5002119	July 19, 2016
Elements Three Tear Drops Design	4622402	October 14, 2014
Elements Massage and Design	4570014	July 15, 2014
Elements Therapeutic Massage and Design	3761266	March 16, 2010
Elements Therapeutic Massage and Design	3407418	April 1, 2008
AromaRitual	5575604	October 2, 2018
Elements Three Tear Drops Design	5873503	October 1, 2019
Elements Three Tear Drops Design	3760865	March 16, 2010

Currently, there are no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks. There are currently no effective agreements that significantly limit our right to use, license or sublicense the Marks. Neither we nor our affiliates know of any infringing uses or superior prior rights that could materially affect your use of the Marks.

Your use of the Marks and any goodwill established by that use are solely for our benefit. You have no ownership or other interest in the Marks. You may not at any time contest, or assist any other person in contesting, the validity, ownership, distinctiveness or enforceability of the Marks. You must follow our rules when you use the Marks and the Marks are the only marks you may use to identify your Studio, except that you agree to identify yourself as its independent owner and operator in the manner we prescribe. You may not use any Mark or any part of any Mark as part of any corporate or legal business name; with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); in selling any unauthorized services or products; as part of any website, domain name, e-mail address, social media account, other online presence or presence on any electronic medium of any kind ("Online Presence"), except in accordance with our guidelines; in advertising the transfer, sale, or other disposition of your Studio or an ownership interest in you without our prior consent; or in any other manner that we have not expressly authorized in writing.

You may not take any action that will harm the Franchise System, other Studios or the goodwill associated with the Marks. We and our agents will have the right to enter and inspect your Studio to make sure you are complying with our standards, including but not limited the proper use and display of the Marks.

You must modify or discontinue using any Mark and/or use additional or substitute Marks, at your expense, if we require you to do so. We need not reimburse you for your any costs or expenses associated with making such changes, for your lost revenue, or for your expenses of promoting modified or substitution Marks.

You must notify us immediately of any apparent infringement of, or challenge to, your use of any Mark and may not communicate information about such an infringement or challenge with any person other than us, your counsel, or our counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or USPTO proceeding, or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any Mark. We will reimburse you for all damages or expenses incurred by you in responding to any trademark infringement proceeding disputing your authorized use of any Mark in accordance with the terms of your Franchise Agreement. We will not pay any of your attorneys' fees if you hire your own attorney. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under your Franchise Agreement. You must sign documents and take any other reasonable action that, in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

Upon expiration or termination of your Franchise Agreement, you will have no further right to use the Marks and you must immediately discontinue using the Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Our Patents and Copyrights

There are no patents or copyrights currently registered or pending owned by us or our affiliates that are material to the Franchise System.

There is no presently effective determination of the U.S. Copyright Office (Library of Congress), the USPTO, or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights or to defend you against claims arising from your use of the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

We do claim copyright protection and proprietary rights in the original materials used in the operation of Studios, including the Operations Manual, bulletins, correspondence and communications with our franchisees, training, advertising and promotional materials, and other written materials relating to the operation of Elements Massage businesses and the Franchise System ("Copyrighted Materials"). We treat all of this information as trade secrets and you must treat any of this information we communicate to you confidentially. You may not use any of our Copyrighted Materials without our written permission. This includes display of the Copyrighted Materials on any Online Presences.

Confidential Information

You will have access to proprietary and confidential information relating to the development and operation of Studios (the "Confidential Information"), including: (i) training and operations materials, including the Operations Manual; (ii) the System Standards and other methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Studios; (iii) market research, promotional, marketing and advertising strategies and programs for Studios; (iv) strategic plans, including expansion strategies and targeted demographics; (v) knowledge of, specifications for and suppliers of, and methods of ordering, Operating Assets and other products and supplies; (vi) any computer software or similar technology which is proprietary to us or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (vii) knowledge of the operating results and financial performance of Studios (other than your Studio); (viii) information generated by, or used or developed in, your Studio's operation, including information relating to clients such as client names, addresses, telephone numbers, email addresses, buying habits, preferences, demographic information and related information, and any other information contained from time to time in the Computer System ("Client Information"); and (ix) any other information designated as confidential or proprietary by us.

You and your owners will not acquire any interest in any Confidential Information, other than the right to use the Confidential Information as we specify in operating your Studio during the term of your Franchise Agreement. Our Confidential Information is proprietary to us and our affiliates and includes trade secrets owned by us and our affiliates. You and your owners: (i) may not use the Confidential Information in any other business or capacity and the use of any Confidential Information in any other business or capacity would constitute an unfair method of competition; (ii) must maintain the confidentiality of the Confidential Information during and after the term of your Franchise Agreement; (iii) may not make unauthorized copies of any portion of the Confidential Information; (iv) must adopt and implement all reasonable procedures that we prescribe to prevent the unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure of the Confidential Information to persons who have signed confidentiality and non-solicitation agreements; and (v) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

Works Made-for-Hire

All ideas, concepts, techniques, or materials relating to a Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, you shall assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Franchise Agreement

If you are signing the Franchise Agreement as a legal business entity, you must designate an individual with at least a 25% ownership and voting interest in you to act as your "Operating Partner". The Operating Partner must be approved by us. Unless a separate Designated Manager is approved by us (described below), you (or your Operating Partner if you are an entity) must supervise your Studio on a full-time basis and exert best efforts to promote and enhance your Studio. Without our written consent, your entity may not engage in any business other than the operation of your Studio, unless we approve you to acquire and operate additional Studios pursuant to additional franchise agreements between us and you. Your Operating Partner must be empowered with full authority to act for you and we will be entitled to rely solely on the decision of the Operating Partner without discussing the matter with any other party. If your Operating Partner ceases to own at least a 25% ownership interest and voting interest in you, your Operating Partner resigns or otherwise indicates to us or to you that he or she wishes to cease acting as Operating Partner, or we disapprove of your Operating Partner at any time, you must designate a new Operating Partner within 30 days for our review and approval.

You are solely responsible for the management, direction and control of your Studio. However, you (or your Operating Partner if you are an entity) may elect not to supervise your Studio on a full-time basis; provided that you appoint a manager who has completed our then-current Training Program to work full-time at your Studio (your "Designated Manager"). Your Designated Manager must supervise the management and day-to-day operations of your Studio and continuously exert his or her best efforts to promote and enhance your Studio and the goodwill associated with the Marks. If you elect not to appoint a Designated Manager, your Designated Manager's employment at your Studio is terminated, or we disapprove your Designated Manager at any time, you (or your Operating Partner) must immediately assume the full-time responsibilities of supervising the management and day-to-day operations of your Studio and continuously exert your best efforts to promote and enhance your Studio and the goodwill associated with the Marks pursuant to the terms of the Franchise Agreement. You must notify us of any changes to your Designated Manager's employment as set forth in the Operations Manual.

You and such persons we designate, which may include the spouses of your owners (if you are signing the Franchise Agreement as a business entity) must execute the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit E to the Franchise Agreement, jointly and severally guarantying your and their performance under the Franchise Agreement and binding yourself and themselves to the Franchise Agreement and any ancillary agreements between you and us.

You must require persons who have access to our Confidential Information to execute confidentiality and non-solicitation agreements in the form attached as Exhibit D to the Franchise Agreement.

Area Development Agreement

If you sign an Area Development Agreement, you are obligated, at all times, to faithfully, honestly and diligently perform your obligations and fully exploit the development rights granted to you. You may not subcontract, subfranchise, or delegate any of your obligations to any third parties.

If you are an entity, each of your direct and indirect owners must sign, a Guaranty and Assumption of Obligations in the form attached as Exhibit B to the Area Development Agreement. The persons signing the Guaranty and Assumption of Obligations agree to personally assume and perform all of the area developer's obligations under the Area Development Agreement. In addition, the spouses of your owners signing will be required to acknowledge and consent to the Guaranty and Assumption of Obligations.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Authorized Products and Services Generally

You must sell or offer for sale all products and services we require using the method and manner of distribution we prescribe. You must conduct all services in accordance with our System Standards (and if we at any time determine that you fail to meet our System Standards for providing any products or services that we require, we may permanently or temporarily terminate your right to offer such products or services, in addition to all other remedies we have). You must sell and offer for sale only the products and services that we have approved for sale, and you must discontinue selling and offering for sale any products or services which we may disapprove at any time. You must purchase and use only the brands, types, or models of products, materials, supplies and services (including the Operating Assets and the Computer System) that we designate for operating your Studio.

Memberships

You must offer and sell Memberships as we require. You must comply with our System Standards regarding Memberships. All Memberships must be evidenced by a Membership Agreement and may not be for a term that extends beyond the expiration of your Franchise Agreement. We may provide you a form of Membership Agreement, and if we do so, you will use the form of Membership Agreement that we provide to you, and you will not make any modifications in the forms without our prior written consent.

You are responsible for ensuring that the Membership Agreements and your offer of Memberships comply with all applicable laws for your Studio. We own all information relating to clients and members of your Studio. We may contact any member(s) of your Studio at any time.

Pricing

Subject to applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. If we impose a maximum price for any product or service, you may not charge more for the product or service than the maximum price we impose. If we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. You must comply with any advertising policy we adopt which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in franchise or other agreement	Summary
a.	Length of the franchise term	Franchise Agreement – 1.A.	10 years
		Area Development Agreement – 1.B	Term ends on the scheduled opening date of the last studio as specified on the Development Schedule or the last day of the last development period, whichever occurs first.
b.	Renewal or extension of the term	Franchise Agreement – 13.A.	One additional term of 10 years
		Area Development Agreement	Not applicable
c.	Requirements for franchisee to renew or extend	Franchise Agreement – 13.A., 13.B.	You must: 1) provide written notice of your election to acquire a successor franchise; 2) not be in default; 3) sign the then-current form of our franchise agreement (which may contain terms and conditions materially different from those in your original Franchise Agreement); 4) sign a general release; 5) pay the successor franchise fee; and 6) update/remodel the Studio to our then-current standards.
		Area Development Agreement	Not applicable.
d.	Termination by franchisee with cause	Franchise Agreement – 14.A.	You can terminate the Franchise Agreement after providing us notice.
		Area Development Agreement	Not applicable.
e.		Franchise Agreement	Not applicable.

Provision		Section in franchise or other agreement	Summary
	Termination by franchisee without cause	Area Development Agreement	Not applicable.
f.	"Cause" defined for termination by franchisee – curable defaults	Franchise Agreement – 14.A.	We have 30 days to cure any material breach of the Franchise Agreement after you deliver written notice to us. If we cannot cure the material breach within 30 days, we have 30 days to give you reasonable evidence of our offer to cure with a reasonable time.
		Area Development Agreement	Not applicable.
g.	"Cause" defined for termination by franchisee – non-curable defaults	Franchise Agreement	Not applicable.
		Area Development Agreement	Not applicable.
h.	Termination by franchisor without cause	Franchise Agreement	Not applicable.
		Area Development Agreement	Not applicable.
i.	Termination by franchisor with cause	Franchise Agreement – 14.B.	We can terminate the Franchise Agreement after providing you notice.
		Area Development Agreement – 7.A	We may terminate only if you or your owners commit one of several violations. Under cross-default provision, we can terminate the Area Development Agreement if you or your approved affiliate fails to comply with any provision of any Franchise Agreement and does not cure such failure within the applicable cure period.
j.	"Cause" defined for termination by franchisor—curable defaults	Franchise Agreement – 14.B.	Curable defaults include: 1) 10 days to cure a failure to maintain the insurance we require; 2) three days to cure a violation of any health, safety, or sanitation law, ordinance, or regulation, or unsafe operation of your Studio; 3) 10 days to cure a violation of any law or regulation or failure to maintain any bond, license, or permit; 4) 10 days to cure a failure to pay us any due amounts; 5) 30 days to cure any breach of the Franchise Agreement other than those provided in "k" below; and 6) cure period for a failure to pay third-party supplier, as determined by such third-party supplier.
		Area Development Agreement – 7.A	You have 10 days to cure monetary defaults, failure to furnish reports, financial statements, tax returns or any other documentation required, or any failure to observe, perform or comply with any other of the terms or conditions of the Area Development Agreement; and applicable cure period for defaults under Franchise Agreement or failure to pay any third-party obligations.

Provision		Section in franchise or other agreement	Summary
k.	"Cause" defined for termination by franchisor — non-curable defaults	Franchise Agreement – 14.B.	Non-curable defaults include: 1) material misrepresentations or omissions in acquiring the franchise or operating the Studio; 2) failure to obtain lease approval or deliver the lease and lease rider as required; 3) failure to open the Studio within one year; 4) failure to satisfactorily complete the Training Program; 5) without our prior consent, abandonment for two consecutive days, or 14 days during any twelve-month period, or expressing an intent to close or otherwise abandon the Studio; 6) unauthorized transfer; 7) conviction of felony or other crime that is likely to harm the Marks, the Franchise System, or their associated goodwill and reputation; 8) dishonest or unethical conduct which adversely affects your Studio's reputation or the goodwill associated with the Marks; 9) loss of right to occupy Premises; 10) unauthorized use or disclosure of confidential information; 11) you create or allow to exist a health or safety concern; 12) failure to pay taxes when due (unless contested in good faith); 13) insufficient funds to pay amounts when due on three separate occasions within 12 month period; 14) underreporting Gross Receipts; 15) three breaches of the Franchise Agreement within a one year period or two or more breaches of the same obligation within a one year period; 16) insolvency or similar proceeding; 17) assets, property, or interests blocked under laws or regulations relating to terrorism or you or your owners otherwise violate such laws; 18) termination of any other agreement between you (or one of your owners) or your affiliates and us or our affiliates; 19) you fail to perform required background checks; 20) you fail to ensure your massage therapists are licensed as required by law; and 21) you fail to report incidents which could impact the goodwill of the brand as required.
		Area Development Agreement – 7.A	Non-curable defaults under the Area Development Agreement include ceasing or threatening to cease to carry on the business; liquidation of your assets; failure to pay any debts or other amounts incurred by you in operating the business when these debts or amounts are due and payable; an assignment for the benefit of creditors; appointment of a trustee or receiver; three or more repeated violations during any 12-month period; two or more repeated violations during any six month period; in the event you are an entity, liquidation or dissolution or amalgamation; or if you lose your charter by expiration, forfeiture or otherwise; material misrepresentations or omissions; conviction of a felony; dishonest or unethical conduct; unapproved transfers of the Area Development Agreement or an ownership interest in you.

Provision		Section in franchise or other agreement	Summary
l.	Franchisee's obligations on termination/non-renewal	Franchise Agreement – 6.A., 6.B., 15.A., 15.B., 15.C., 15.D., 15.F., 15.G., 15.H.	Obligations include: comply with confidentiality provisions, comply with trade secret provisions; pay all amounts due to us and our affiliates; pay us liquidated damages if the Franchise Agreement is terminated by you without cause or because of your default; cease selling products and services; cease using the Marks; de-identify; assign contact identifies and online presence to us or our designee; pay all costs and expenses incurred by us in enforcing the termination provisions of the Franchise Agreement; return all copies of the Operations Manual and other confidential information to us; return or securely dispose of personal information; comply with covenants not to compete; comply with non-solicitation and non-interference covenants; transfer client list to us or our designee; if required by law, refund clients; cooperate with us to preserve client goodwill.
		Area Development Agreement – 7.B, 7.C	Under the Area Development Agreement, you must: cease using the Marks and franchise system; return all proprietary materials, forms, documents and information; comply with confidentiality requirements; and comply with all post-termination non-compete and non-solicit covenants.
m.	Assignment of contract by franchisor	Franchise Agreement – 12.A.	No restriction on our right to transfer or assign. We may transfer or assign without your approval.
		Area Development Agreement – 6.A	
n.	"Transfer" by franchisee—defined	Franchise Agreement – 12.B.	Includes transfer of the interests or rights in the Franchise Agreement, the Studio, the Studio's assets, or if you are an entity, the transfer of any direct or indirect ownership interest in you.
		Area Development Agreement – 6.B	Includes transfer of your interest in the Area Development Agreement, any of your rights under the Area Development Agreement, the development rights, and any direct or indirect ownership interest in you (regardless of its size), any approved Affiliate, or any of your owners (if such owners are legal entities)
o.	Franchisor approval of transfer by franchisee	Franchise Agreement – 12.B.	We have the right to approve all transfers. You cannot transfer without our written consent.
		Area Development Agreement – 6.B	We have the right to approve all transfers but will not unreasonably withhold our consent. You cannot transfer without our written consent.

Provision		Section in franchise or other agreement	Summary
p.	Conditions for franchisor approval of transfer	Franchise Agreement – 12.C.	Your Studio must be open for business. You must submit an application and provide us with information we request about the transferee; you pay us a deposit fee of $5,000 (refundable, less amounts due, within 30 days of transfer); the transferee cannot be involved in a Competitive Business; you provide executed versions of documents between you and the transferee to effect the transfer with requested information; you and the transferee sign all documents we require, including a general release, a covenant that you will comply with non-competition obligations (see “u”), and a covenant that you will comply with all post-termination obligations (see “l”); you are not in default of any agreement with us 60 days before your transfer request and until the transfer’s effective date; the transferee must complete our Training Program; you obtain landlord consent (if required by lease); the transferee must sign our then-current form of franchise agreement; transfer fee is paid; if you or your owners finance any part of the purchase price, you will agree that transferee’s obligations under any promissory notes, agreements, or security interests are subordinate to transferee’s payment obligations to us, our affiliates, and third-party vendors under their Franchise Agreement; transferee agrees to upgrade, remodel, and refurbish the Studio to our then-current standards; and you transfer, or transferee obtains new, business licenses, insurance policies, and material agreements . The term “Competitive Business” means any business operating or granting franchises or licenses to others to operate any business that offers therapeutic massage or bodywork services or other massage services, or offers or sells products or educational materials or conducts workshops that are the same as, similar to, or competitive with products, educational materials, and workshops offered by the Franchise System (other than a franchise operated under a franchise agreement with us or our affiliate).
		Area Development Agreement – 6.B	Transferee must meet qualifications; satisfactorily complete training and pay required fee; have no financial or other interest in a Competitive Business; enter into all then-current forms of agreement required by us; you must have fulfilled all your obligations; must execute general release; pay expenses and applicable fees
q.	Franchisor’s right to assume management of franchisee’s business	Franchise Agreement – 14.C.	If you abandon or fail to actively operate your Studio, fail to comply with your Franchise Agreement or any System Standard without curing, or your Franchise Agreement is terminated and we are deciding whether to exercise our option to purchase your Studio, we have the right to: 1) enter the Premises to protect the Operating Assets, remove any equipment, signage, or other materials featuring the Marks, cure any defaults under the Lease, and assume your rights under the Lease; and/or 2) enter the Premises and assume your Studio’s management for any period of time we deem appropriate. We may assign these rights to any person or entity without your consent.
		Area Development Agreement	Not applicable.

Provision		Section in franchise or other agreement	Summary
r.	Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement – 12.E.	We have a right of first refusal to acquire your Studio, substantially all of its assets, or an ownership interest in you or one of your owners.
		Area Development Agreement – 6.C	We have a right of first refusal to acquire your area development business.
s.	Franchisor's option to purchase franchisee's business	Franchise Agreement – 15.E.	Upon termination or expiration of the Franchise Agreement, we have a 30-day option to purchase the assets of your Studio for fair-market value and assume the Studio's lease.
		Area Development Agreement	Not applicable.
t.	Death or disability of franchisee	Franchise Agreement – 12.F.	Your personal representative has nine months to transfer of your interest (or the Operating Partner's or a controlling owner's interest) in the Franchise Agreement to a third party, provided that the transfer conditions described in "p" above have been met. No fee deposit or transfer fee will be required if the transferee is a spouse or immediate family member of the transferor).
		Area Development Agreement	Not applicable.
u.	Non-competition covenants during the term of the franchise	Franchise Agreement – 7.A.	No involvement in any Competitive Business; no activities which might injure the goodwill of the Marks and Franchise System; and no immediate family members of you or your owners may violate these covenants.
		Area Development Agreement – 5	No involvement in any Competitive Business; and no assistance or encouragement of family members from violating these covenants.
v.	Non-competition covenants after the franchise is terminated or expires	Franchise Agreement – 15.F.	No involvement (direct or indirect) in Competitive Business for two years within a three-mile radius of your Studio or within three miles of another Studio. (Same terms apply after transfer.)
		Area Development Agreement – 7.C	No involvement (direct or indirect), provision of services in Competitive Business for two years within the Development Area or within three miles of another Studio. (Same terms apply after transfer.)
w.	Modification of the agreement	Franchise Agreement – 17.K.	The Franchise Agreement can be modified only by written agreement between you and us. We can modify or change the Franchise System by modifying the Operations Manual and System Standards.
		Area Development Agreement – 10.G	No modifications except in writing and signed by both you and us.
x.	Integration/merger clause	Franchise Agreement – 17.M. Area Development Agreement – 10.G	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement or Area Development Agreement may not be enforceable.
y.	Dispute resolution by	Franchise Agreement – 17.F.	Except for breach of your post-termination covenants, violation of the Lanham Act, or breach of trade secret, all disputes relating to the

Provision		Section in franchise or other agreement	Summary
	arbitration or mediation	Area Development Agreement – 9.A	Franchise Agreement or Area Development Agreement or our relationship must be arbitrated within 50 miles of our then-current principal place of business (currently Englewood, Colorado).
z.	Choice of forum	Franchise Agreement – 17.H. Area Development Agreement – 9.C	State or federal court in the place where our principal place of business is located (currently Englewood, Colorado) (subject to state law).
aa.	Choice of law	Franchise Agreement – 17.G. Area Development Agreement – 9.B.	The laws of the state in which our principal place of business is located (currently, Colorado) govern (subject to state law), except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) and any arbitration matter will be governed by the United States Federal Arbitration Act (9 U.S.C. Sections 1 et seq.).

Applicable state law might require additional disclosures related to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit A.

ITEM 18. PUBLIC FIGURES

We do not use any public figures to promote our Franchise System. However, we may use public figures 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 and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Franchised Studios Open as of January 1, 2019 and for Greater Than One Year and Greater Than Five Years as of January 1, 2019

Table 1 describes 2019 Average Revenue, Average Gross Profit Percentage, Average Number of Rooms, Average New Client Trial, Average Conversion Percentage, and Average Number of Members for three categories of franchised Studios that were open as of January 1, 2019, and operated throughout 2019: (1) all franchised Studios that were open as of January 1, 2019, and operated throughout 2019; (2) franchised Studios that were open for at least one year as of January 1, 2019, that were open throughout 2019; and (3) franchised Studios that were open for at least five years as of January 1, 2019, that were open throughout 2019.

As of December 31, 2019, there were 250 Studios in operation in the United States. Of those 250 Studios, eight Studios were operated by our subsidiaries. Of the remaining 242 franchised Studios: (1) 231 were open as of January 1, 2019 and operated throughout 2019; (2) 226 were open for at least one year as of

January 1, 2019, and operated throughout 2019; and (3) 137 were open for at least five years as of January 1, 2019, and operated throughout 2019.

Studios are categorized in the tables below based upon annual revenue.

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Table 1

All Franchised Studios Open as of January 1, 2019 and Operated Throughout 2019

Category	Top 10	Top third	Bottom third	Bottom 10	All Studios	All Studios Open Greater than One Year prior to 2019	All Studios Open Greater than Five Years prior to 2019
No. of Studios	10	77	77	10	231	226	137
2019 Average Revenue[1]	$1,675,542	$1,083,278	$455,978	$286,303	$753,852	$762,479	$806,273
Number that Met or Exceeded the Average	5	23	42	5	109	106	65
Percentage that Met or Exceeded the Average	50.0%	29.9%	54.5%	50.0%	47.2%	46.9%	47.4%
Same Studio Average Revenue Increase (2019 over 2018)[2]	13.3%	10.4%	15.8%	14.3%	12.3%	11.2%	8.3%
2019 Median Revenue	$1,603,715	$988,788	$473,963	$292,579	$726,215	$729,814	$777,202
2019 Highest Revenue	$2,092,157	$2,092,157	$591,125	$341,729	$2,092,157	$2,092,157	$2,092,157
2019 Lowest Revenue	$1,391,646	$854,385	$193,516	$193,516	$193,516	$193,516	$193,516
2019 Average Gross Profit Percentage[3]	61.9%	70.9%	42.6%	3.6%	62.0%	62.0%	61.3%
Number that Met or Exceeded the Average	6	45	45	5	120	202	125
Percentage that Met or Exceeded the Average	60.0%	58.4%	58.4%	50.0%	51.9%	89.4%	91.2%
2019 Median Gross Profit Percentage	81.7%	73.3%	49.4%	7.5%	65.7%	66.1%	66.5%
2019 Average Number of Rooms	7	7	7	8	7	7	7
Number that Met or Exceeded the Average	5	47	29	5	148	67	83
Percentage that Met or Exceeded the Average	50.0%	61.0%	37.7%	50.0%	64.1%	29.6%	60.6%
2019 Median Number of Rooms	7	7	7	8	7	7	7
2019 Average New Client Trial	1,852	1,621	1,356	1,230	1,464	1,455	1,614
Number that Met or Exceeded the Average	4	33	33	4	102	99	59
Percentage that Met or Exceeded the Average	40.0%	42.9%	42.9%	40.0%	44.2%	43.8%	43.1%
2019 Median New Client Trial	1,035	1,540	1,251	1,130	1,376	1,373	1,517
2019 Average Conversion Percentage[4]	31.6%	24.0%	22.9%	24.8%	22.4%	23.3%	25.0%
Number that Met or Exceeded the Average	3	33	35	3	120	108	60
Percentage that Met or Exceeded the Average	30.0%	42.9%	45.5%	30.0%	51.9%	47.8%	43.8%
2019 Median Conversion %	25.2%	23.3%	22.3%	22.9%	22.1%	23.1%	24.1%
Average Number of Members as of December 31, 2019[5]	690	563	551	520	559	566	624
Number that Met or Exceeded the Average	5	36	33	3	106	102	66
Percentage that Met or Exceeded the Average	50.0%	46.8%	42.9%	30.0%	45.9%	45.1%	48.2%
2019 Median Number of Members	619	528	494	378	528	533	604

Notes to Table 1:

1. The 2019 Average Revenue amounts are based upon actual data we require our franchisees to submit to us on a monthly basis and are defined in the same manner as Gross Receipts are defined under the Franchise Agreement. Specifically, as described in Item 6, "Gross Receipts" include all of your revenue and receipts, including those taken by cash, credit card, debit card, check, electronic funds transfer, ACH, trade, barter or exchange. Gross Receipts also include: (a) any other means of revenue derived from the operations of your Studio, including the sale of memberships, merchandise, or any products or services that are sold by you, whether sold at the Premises or from an off-Premises location; (b) all revenue from the sale or redemption of gift cards, in accordance with our then-current System Standards; and (c) the gross amount of any business interruption or similar insurance payments. Gross Receipts exclude: (i) sales, use or privilege taxes paid to the appropriate taxing authority; (ii) refunds that are provided to clients; and (iii) tips received from clients for payment to your employees.

2. The Same Studio Average Revenue Increase measures the increase in revenue on a same-studio basis, comparing annual revenue for the 2018 calendar year to the 2019 calendar year, for all studios open at least one year prior to January 1, 2019. Because this category compares year-over-year revenue, we have not included five of the 231 franchised Studios that were open as of January 1, 2019, because they did not operate during the entirety of 2018.

3. The Average Gross Profit Percentages are calculated by first subtracting the annual cost of wages paid to massage therapists and Royalties from annual revenues reported and then dividing the result by total annual revenues. Royalties are calculated at 6% and wages paid to massage therapists are compiled from studio records available to us. No other costs or expenses are considered in the calculation of gross profit reported in the table above. However, you will incur other costs and expenses in connection with the operation of your Studio. You should conduct an independent investigation of the other costs and expenses you will incur in operating your Studio. Franchisees or former franchisees listed on Exhibits to this Disclosure Document may be a source of this information.

4. Average Conversion Percentage means the percentage of new clients who sign up for our wellness membership program. "New clients" are individuals who have not previously visited a particular Studio.

5. Average Number of Members at December 31, 2019, represents the number of participants in our wellness membership program who paid a monthly membership fee in December 2019.

Studios Opened During 2017 through 2019

As of December 31, 2019, there were 250 Studios in operation in the United States. Between January 1, 2017, and December 31, 2019 (the "Measurement Period"), our franchisees opened 34 new Studios at various times during the Measurement Period. Twenty-two of those new Studios (the "Designated Studios") were open as of December 31, 2018, and had operated for at least one month or longer. Each of the Designated Studios completed some or all of their first full year of operations before December 31, 2019, with an average of 26.7 months completed, with 7 (31.8%) that met or exceeded the average, and a median of 27 months completed. Tables 2 and 3 reflect the Measurement Period, to the extent a Designated Studio was open and operating during any portion of the Measurement Period.

Table 2 summarizes the average new client trial per month for the Designated Studios. The Designated Studios are categorized on the basis of monthly new client trials.

Table 2

Category	Average New Client Trials Per Month	Number of Designated Studios	Number and Percentage that Met or Exceeded the Average	Median New Client Trials Per Month
Top third	171	7	7 (31.8%)	170
Bottom third	60	7	0 (0.0%)	62
All Studios	105	22	8 (36.4%)	86

Table 3 summarizes the Average Conversion Percentage per month for the Designated Studios. The Designated Studios are categorized on the basis of their monthly Average Conversion Percentage.

Table 3

Category	Average Conversion Percentage	Number of Designated Studios	Number and Percentage that Met or Exceeded the Average	Median Conversion Percentage
Top third	18.3%	7	7 (31.8%)	17.2%
Bottom third	11.4%	7	0 (0.0%)	11.4%
All Studios	14.7%	22	9 (40.9%)	14.2%

* * * * *

We compiled this data using information submitted to us by our franchisees. We did not audit or otherwise verify the accuracy of the information submitted. These revenues and gross profit results are based upon historical data.

Some studios have earned these amounts. Your individual results may differ. There is no assurance that you will earn as much.

We are unaware of any particular characteristics (such as geographic location) in the Studios listed in the tables above that differ materially from the Studio being offered by this Disclosure Document. However, factors that might adversely impact average revenues for a given Studio include the general public's perception of the benefits of massage therapy, increased competition in the massage industry, actions by franchisees that are out of our control that could adversely impact the Franchise System, and the status of our general economic environment. Factors that might adversely impact average gross profit include, in addition to those sales related items noted above, the actual cost of wages paid to massage therapists, which could vary periodically and by market due to the status of our general economic environment. The negative impact of such factors would also adversely impact a franchisee's net income, profits and earnings.

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, Elements Therapeutic Massage, LLC, does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Robert Bell, Chief Financial Officer, 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112, (303) 663-0880, the Federal Trade Commission, and appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For Years 2017 to 2019[1]

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
Franchised Outlets	2017	233	245	+12
	2018	245	237	-8
	2019	237	242	+5
Company Owned Outlets[2]	2017	0	0	0
	2018	0	8	+8
	2019	8	8	0
Total Outlets	**2017**	**233**	**245**	**+12**
	2018	**245**	**245**	**0**
	2019	**245**	**250**	**+5**

1/ The numbers are as of December 31st of each year.

2/ Each company-owned outlet is owned and operated by a separate affiliate of ours. As reflected in Table 4 of this Item 20, our affiliates acquired 8 of these outlets from franchisees.

Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2017 to 2019[1]

State	Year	Number of Transfers
Arizona	2017	1
	2018	2
	2019	0
California	2017	2
	2018	1
	2019	0
Colorado	2017	4
	2018	0
	2019	0
Florida	2017	0
	2018	2
	2019	0
Idaho	2017	1
	2018	0
	2019	0
Illinois	2017	0
	2018	0
	2019	0
Indiana	2017	0
	2018	0
	2019	1
Iowa	2017	1
	2018	0
	2019	0
Kentucky	2017	1
	2018	0
	2019	0
Massachusetts	2017	6
	2018	1
	2019	3
Michigan	2017	1
	2018	0
	2019	0
Minnesota	2017	0
	2018	0
	2019	0

State	Year	Number of Transfers
New Jersey	2017	1
	2018	1
	2019	1
New York	2017	0
	2018	1
	2019	0
Ohio	2017	1
	2018	0
	2019	0
Pennsylvania	2017	0
	2018	0
	2019	1
Tennessee	2017	1
	2018	1
	2019	0
Texas	2017	0
	2018	2
	2019	0
Virginia	2017	0
	2018	0
	2019	1
Washington	2017	1
	2018	0
	2019	0
Wisconsin	2017	0
	2018	0
	2019	1
Totals	**2017**	**21**
	2018	**11**
	2019	**8**

1/ The numbers are as of December 31st of each year.

Table 3
Status of Franchised Outlets
For Years 2017 to 2019[1]

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Alabama	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	1	0	0	0	1
Arizona	2017	18	7	0	0	0	0	25
	2018	25	0	0	0	0	0	25
	2019	25	2	0	0	0	0	27
California	2017	19	2	0	0	0	1	20
	2018	20	0	1	0	0	0	19
	2019	19	0	1	0	0	0	18
Colorado	2017	18	0	0	0	0	0	18
	2018	18	1	0	0	7	0	12
	2019	12	0	0	0	0	0	12
Connecticut	2017	3	1	0	0	0	0	4
	2018	4	1	0	0	0	0	5
	2019	5	0	0	0	0	0	5
Florida	2017	6	1	0	0	0	1	6
	2018	6	0	1	0	0	0	5
	2019	5	0	0	0	0	0	5
Georgia	2017	3	0	0	0	0	1	2
	2018	2	0	0	0	0	0	2
	2019	2	0	1	0	0	0	1
Idaho	2017	4	0	0	1	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Illinois	2017	12	0	0	0	0	0	12
	2018	12	0	0	0	0	0	12
	2019	12	1	0	0	0	0	13
Indiana	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Iowa	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Kentucky	2017	3	0	0	0	0	0	3
	2018	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 Year
	2019	3	0	0	0	0	0	3
Maryland	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	1	0	0	0	0	4
Massachusetts	2017	26	2	0	0	0	1	27
	2018	27	0	1	0	0	0	26
	2019	26	0	0	0	0	0	26
Michigan	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Minnesota	2017	5	1	0	0	0	0	6
	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
Missouri	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	1	0	0	0	0	3
Nevada	2017	3	0	0	0	0	0	3
	2018	3	1	1	0	0	0	3
	2019	3	1	0	0	0	0	4
New Hampshire	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
New Jersey	2017	11	0	0	0	0	1	10
	2018	10	0	0	0	0	0	10
	2019	10	0	2	0	0	0	8
New Mexico	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
New York	2017	6	1	0	0	0	1	6
	2018	6	0	0	0	0	0	6
	2019	6	1	0	0	0	0	7
North Carolina	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Ohio	2017	10	0	0	0	0	0	10
	2018	10	0	0	0	0	0	10
	2019	10	1	1	0	0	0	10
Oklahoma	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
	2019	4	0	0	0	0	0	4
Oregon	2017	6	1	0	0	0	1	6
	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
Pennsylvania	2017	6	1	0	0	0	0	7
	2018	7	0	1	0	0	0	6
	2019	6	0	0	0	0	0	6
South Carolina	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Tennessee	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	1	0	0	0	0	4
Texas	2017	23	2	0	0	0	0	25
	2018	25	1	1	0	0	0	25
	2019	25	1	0	0	0	0	26
Utah	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	1	0	0	0	0	3
Virginia	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Washington	2017	12	0	0	0	0	0	12
	2018	12	0	0	0	0	0	12
	2019	12	0	0	0	0	0	12
Wisconsin	2017	7	0	0	0	0	0	7
	2018	7	0	0	0	0	0	7
	2019	7	0	0	0	0	0	7
Totals	**2017**	**233**	**20**	**0**	**1**	**0**	**7**	**245**
	2018	**245**	**5**	**6**	**0**	**7**	**0**	**237**
	2019	**237**	**11**	**6**	**0**	**0**	**0**	**242**

1/ The numbers are as of December 31st of each year.

Table 4
Status of Company-Owned Outlets
For Years 2017 to 2019[1]

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
Colorado	2017	0	1	7	0	0	8
	2018	8	0	0	0	0	8
	2019	8	1	0	1	0	8
Total	**2017**	**0**	**1**	**7**	**0**	**0**	**8**
	2018	**8**	**0**	**0**	**0**	**0**	**8**
	2019	**8**	**1**	**0**	**1**	**0**	**8**

1/ The numbers are as of December 31st of each year.

Table 5
Projected Openings
as of December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Colorado	0	2	1
Florida	3	2	0
Illinois	1	1	0
Maryland	2	0	0
Massachusetts	4	1	0
Minnesota	2	0	0
New York	1	1	0
Ohio	2	1	0
Pennsylvania	1	0	0
Tennessee	0	1	0
Texas	6	3	0
Utah	1	1	0
Virginia	3	1	0
Washington	2	0	0
Total	**28**	**14**	**1**

Exhibit D1 lists the names of all current franchisees and the addresses and telephone numbers of their Studios as of December 31, 2019.

Exhibit D2 also lists the name, city and state, and current business telephone number or the last known home telephone number of every franchisee who had a franchise agreement that was terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Exhibit D3 lists the name, city and state and telephone numbers of all franchisees who have signed franchise agreements, but who have not yet opened a Studio as of December 31, 2019.

During the last 3 fiscal years, current and former franchisees have signed confidentiality clauses. In some instances, current and former franchisees have signed provisions restricting their ability to speak openly about their experience with the Elements Franchise System. You may wish to speak with current and former franchisees, but be aware that not all of them will be able to communicate with you.

In October 2008, we established the Franchisee Leadership Council, consisting of members of Franchisor's management and franchisees. The Franchisee Leadership Council provides feedback and advice to us, but does not have decision-making authority. The Franchisee Leadership Council has not incorporated or otherwise organized under state law. It does not have its own address telephone number, email address or web address.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit E to this Disclosure Document are our audited financial statements as of December 31, 2017, December 31, 2018, and December 31, 2019. Our fiscal year end is December 31.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following Exhibits:

A State Addenda to the Disclosure Document and Franchise Agreement

B Franchise Agreement and Exhibits

C Area Development Agreement and Exhibits

G Agreement and Conditional Consent to Transfer (including Sample of Release of Claims)

H Form of Renewal Addendum (including Sample of Release of Claims)

ITEM 23. RECEIPTS

Exhibit J of this Disclosure Document contains detachable documents acknowledging your receipt of this Disclosure Document and all exhibits.

EXHIBIT A

STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF ILLINOIS ONLY.

ITEM 17 OF THIS DISCLOSURE DOCUMENT IS AMENDED BY THE ADDITION OF THE FOLLOWING PARAGRAPHS TO THE END OF THE CHART.

1. Item 17(v) is deleted and replaced with the following:

All actions must be brought in a state or federal court of general jurisdiction in Illinois if required under the Illinois Franchise Disclosure Act.

2. Item 17(w) is deleted and replaced with the following:

Illinois law governs the agreement between the parties to this franchise, except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) and any arbitration matter will be governed by the United States Federal Arbitration Act (9 U.S.C. Sections 1 et seq.).

3. Section 41 of the Illinois Franchise Disclosure Act states that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void.

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA ONLY

1. Item 13 of this Disclosure Document will be amended to add the following paragraph:

Under Minnesota Statute Section 80C.12, Subd. 1(g) – we must protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. We do not indemnify against the consequences of your use of our Marks except in accordance with the requirements of the Franchise Agreement and the Operations Manual and, as a condition to indemnification, you must notify us in writing within 10 days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to control any litigation or proceeding resulting from any such claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim.

2. Item 17 of this Disclosure Document is amended by the addition of the following paragraphs to the end of the chart:

Minn. Stat. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

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 for non-renewal of the Franchise Agreement.

Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF NORTH DAKOTA

1. The following is added to the end of the "Remarks" section of Item 6, entitled "Liquidated Damages":

> Under North Dakota law, a requirement that you consent to liquidated damages in the event of termination of the Franchise Agreement is considered unenforceable; however, we and you will enforce this provision to the maximum extent the law allows.

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 the extent prohibited by the North Dakota Franchise Investment Law.

3. The following is added to the end of the "Summary" section of Item 17(r), entitled "Non-competition covenants after the franchise is terminated or expires":

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

4. The "Summary" section of Item 17(u), entitled "Dispute resolution by arbitration or mediation" is deleted and replaced with the following:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

5. The "Summary" section of Item 17(v), entitled "Choice of forum" is deleted and replaced with the following:

> You must sue us in state or federal court in the place where our principal place of business is located (currently, Englewood, Colorado), except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

6. The "Summary" section of Item 17(w), entitled "Choice of law" is deleted and replaced with the following:

> Except as otherwise required by North Dakota law, the laws of the state in which our principal place of business is located (currently Colorado) govern, except that disputes regarding the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) and any arbitration matter will be governed by the United States Federal Arbitration Act (9 U.S.C. Sections 1 et seq.).

STATE ADDENDA TO FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT
FOR ILLINOIS

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR ILLINOIS ("this Addendum") is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with its principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____ ____________________.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ________________________, (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, the offering or sales activity relating to the Franchise Agreement occurred in the State of Illinois, and the Elements Studio will be located in the State of Illinois, and/or you are domiciled in the State of Illinois.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. Notwithstanding anything contrary in the Franchise Agreement, in the event of a conflict between the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control. The parties agree that the Franchise Agreement remains fully effective in all respects except as specifically modified by this Addendum, and all the respective rights and obligations of you and us remain as written unless modified herein.

2. Section 14.1 of the Franchise Agreement is deleted and replaced with the following:

14.1 Governing Law. ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES.

3. Section 14.2 of the Franchise Agreement is deleted and replaced with the following:

14.2 Jurisdiction and Venue. SUBJECT TO SECTION 14.5, YOU AND THE BOUND PARTIES AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN THE STATE OR FEDERAL COURT OF GENERAL JURISDICTION IN ILLINOIS IF REQUIRED UNDER THE ILLINOIS FRANCHISE DISCLOSURE ACT, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS.

4. The following language is added to the end of Section 14.3 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.

5. The following language is added to the end of Section 14.6 of the Franchise Agreement:

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 or any other law of the State of Illinois, to the extent applicable.

6. The following language is added as Section 17 of the Franchise Agreement:

17. ILLINOIS FRANCHISE DISCLOSURE ACT

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

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be affected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS THEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR: **ELEMENTS THERAPEUTIC MASSAGE, LLC**	**FRANCHISEE:** **[NAME OF INDIVIDUAL OR ENTITY]**
Signature: ______________________	Signature: ______________________
Printed Name: ______________________	Printed Name: ______________________
Title: ______________________	Title: ______________________ (Title of Signor, if applicable)

ADDENDUM TO FRANCHISE AGREEMENT
FOR MINNESOTA

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR MINNESOTA ("this Addendum") is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with its principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112 ("we," "us" or "our") and ____ ("you" or "your"), whose principal business address is ____.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ________________________, (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, the offering or sales activity relating to the Franchise Agreement occurred in the State of Minnesota, and/or the Elements Studio will be located in the State of Minnesota.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. This Addendum is intended to modify the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provision of this Addendum shall control. All terms which are capitalized in this Addendum and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Addendum, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

2. Section 6 of the Franchise Agreement: <u>Use of the Marks</u> is amended to add the following paragraph:

> Under Minnesota Statute Section 80C.12, Subd. 1(g) – we must protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. We do not indemnify against the consequences of your use of our Marks except in accordance with the requirements of the Franchise Agreement and the Operations Manual and, as a condition to indemnification, you must notify us in writing within 10 days, or within such shorter period as is necessary to avoid prejudice, after learning of any claim, and immediately tender the defense of the claim to us. If we accept the tender of defense, we have the right to control any litigation or proceeding resulting from any such claim including the right to compromise, settle or otherwise resolve the claim, or whether to appeal a final determination of the claim.

3. Section 10.7 of the Franchise Agreement: <u>Liquidated Damages</u> is amended to add the following sentences:

> 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.

4. Section 14.6 of the Franchise Agreement: <u>Limitation of Claims</u> is amended to add the following sentence:

Minnesota law provides that no action may be commenced under Minnesota Statute Section 80C.17 more than 3 years after the cause of action accrues.

5. Section 14.8 of the Franchise Agreement: Injunctive Relief is amended by deleting the last sentence of such section and replacing it with the following:

You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction. A court will determine if a bond is required.

6. 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 for non- renewal of the Franchise Agreement.

7. Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

8. The Franchise Agreement requires you to sign a general release of claims as a condition of the relocation, renewal and/or assignment or transfer of the franchise. Pursuant to Minn. Rule 2860.4400D, the general release of claims will not apply to any liability under Minnesota Law.

Miscellaneous. This Addendum and the Franchise Agreement as modified by this Addendum constitute the entire agreement of the parties with respect to their subject matter and may be amended only by a written agreement signed by both parties.

Counterpart Execution and Delivery by Facsimile. This Addendum may be executed in one or more counterparts, all of which shall, taken together, constitute one and the same agreement. The parties intend that delivery may be effected by facsimile transmission and that a facsimile copy which has been executed by the transmitting party shall constitute an original.

IN WITNESS THEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR: **ELEMENTS THERAPEUTIC MASSAGE, LLC**	**FRANCHISEE:** **[NAME OF INDIVIDUAL OR ENTITY]**
Signature: ______________________________	Signature: ______________________________
Printed Name: ___________________________	Printed Name: ___________________________
Title: ________________________________	Title: ________________________________ (Title of Signor, if applicable)

ADDENDUM TO THE FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR NORTH DAKOTA ("this Addendum") is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with its principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112 ("we," "us" or "our") and ______________________________________ ____________________ ("you" or "your"), whose principal business address is _____________________ ____.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ________________________, (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, this Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Elements Studio that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

1. **RELEASES**. The following is added to the end of Section 2.4 ("Relocation of Your Studio"), Section 3.2 ("Renewal"), Section 11.1 ("Transfers") of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. **LIQUIDATED DAMAGES**. The following language is added to the end of Section 10.7 of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.

3. **RESTRICTIVE COVENANTS**. The following is added to the end of Section 12.2 ("Post-Termination Covenant Not to Compete") of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **GOVERNING LAW**. Section 14.1 of the Franchise Agreement is deleted and replaced with the following:

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE,

AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO) WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES; EXCEPT THAT (1) ANY LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION, AND (2) THE ENFORCEABILITY OF THOSE PROVISIONS OF THIS AGREEMENT WHICH RELATE TO RESTRICTIONS ON YOU AND YOUR OWNERS' COMPETITIVE ACTIVITIES WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR BUSINESS IS LOCATED.

5. **CONSENT TO JURISDICTION**. The following is added to the end of Section 14.2 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO YOUR ARBITRATION OBLIGATIONS, YOU MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

6. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the North Dakota Franchise Investment Law, the first sentence of Section 14.3 of the Franchise Agreement is deleted.

7. **ARBITRATION**. The first paragraph of Section 14.5 of the Franchise Agreement is deleted and replaced with the following:

We and you agree that, except as set forth below, all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to:

(1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);

(2) our relationship with you;

(3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 14.5, which we and you acknowledge is to be determined by an arbitrator, not a court); or

(4) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the "AAA"). The arbitration proceedings will be conducted by 1 arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our then-current principal place of business (currently, Englewood, Colorado); provided however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site at which we and you mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). 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.

IN WITNESS THEREOF, the parties have executed this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR: **ELEMENTS THERAPEUTIC MASSAGE, LLC**	**FRANCHISEE:** **[NAME OF INDIVIDUAL OR ENTITY]**
Signature: ______________________________	Signature: ______________________________
Printed Name: ___________________________	Printed Name: ___________________________
Title: __________________________________	Title: __________________________________ (Title of Signor, if applicable)

ADDENDUM TO THE FRANCHISE AGREEMENT

FOR USE IN WASHINGTON

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR WASHINGTON ("this Addendum") is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with its principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, CO 80112 ("we," "us" or "our") and ____________________________________ ____________________ ("you" or "your"), whose principal business address is _____________________ ____.

WHEREAS, we and you have entered into a certain Franchise Agreement (the "Franchise Agreement") dated ________________________, (the "Effective Date") and desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Addendum.

WHEREAS, this Addendum is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of Washington and the Elements Studio that you will operate under the Franchise Agreement will be located or operated in Washington; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Washington.

NOW THEREFORE, we and you agree that the Franchise Agreement is hereby modified, as follows:

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

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

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

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute or 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 competition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

Dated ____.

FRANCHISOR: **ELEMENTS THERAPEUTIC MASSAGE, LLC**	**FRANCHISEE:** **[NAME OF INDIVIDUAL OR ENTITY]**
Signature: ______________________________ Printed Name: ___________________________ Title: _________________________________	Signature: ______________________________ Printed Name: ___________________________ Title: _________________________________ (Title of Signor, if applicable)

THE FOLLOWING PAGES IN THIS EXHIBIT ARE

**STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT
(MULTI-UNIT DEVELOPMENT)**

RIDER TO THE ELEMENTS THERAPEUTIC MASSAGE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS

THIS RIDER is made and entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC,** a Delaware limited liability company with our principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ___________________________ _____________a(n) ____________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Studios that you will operate and develop under the Area Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS LAW.** The following paragraphs are added to the end of the Area Development Agreement and supersede any conflicting provisions in the Area Development Agreement:

Illinois law governs the agreements between the parties to this franchise.

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 in a venue 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

ELEMENTS THERAPEUTIC MASSAGE, LLC, a Delaware limited liability company	**DEVELOPER:** **[NAME OF INDIVIDUAL OR ENTITY]**
By: ______________________	By: ______________________
Name: ____________________	Name: ____________________
Title: _____________________	Title: _____________________
Date: _____________________	Date: _____________________

RIDER TO THE ELEMENTS THERAPEUTIC MASSAGE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA

THIS RIDER is made and entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with our principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ____________________________ ______________a(n) _____________________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Studios that you will operate and develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **TERMINATION OF AGREEMENT**. The following is added to the end of Section 7 of the Area Development 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.

3. **TRANSFER BY YOU.** The following is added to the end of Section 6.B(6) of the Area Development 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.

4. **GOVERNING LAW**. The following statement is added at the end of Section 9.B of the Area Development 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.

5. **CONSENT TO JURISDICTION**. The following language is added to the end of Section 9.C of the Area Development Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) 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.

6. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTION**. If and then only to the extent required by the Minnesota franchises law, Section 9.D of the Area Development Agreement is deleted.

7. **INJUNCTIVE RELIEF**. Section 9.E of the Area Development Agreement is deleted and replaced with the following:

Nothing in this Agreement bars either party's right to seek injunctive relief against conduct that threatens to injure or harm the other under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may seek such injunctive relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and you hereby expressly waive any claim for damages caused by such injunction. A court will determine if a bond is required.

8. **LIMITATION OF CLAIMS**. The following is added to the end of the first paragraph of Section 9.F of the Area Development 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.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

ELEMENTS THERAPEUTIC MASSAGE, LLC, a Delaware limited liability company	**DEVELOPER:** **[NAME OF INDIVIDUAL OR ENTITY]**
By: ___________________________________	By: ___________________________________
Name: _________________________________	Name: _________________________________
Title: __________________________________	Title: __________________________________
Date: __________________________________	Date: __________________________________

RIDER TO THE ELEMENTS THERAPEUTIC MASSAGE, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA

THIS RIDER is made and entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with our principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("we") and ____________________________ ______________ a(n) ______________________________, having its principal business address at ____ ("you").

1. **BACKGROUND**. We and you are parties to that certain Area Development Agreement dated ___________________________, (the "Area Development Agreement") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Elements Studio that you will operate and develop under the Area Development Agreement will be located in North Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in North Dakota.

2. **RELEASES**. The following is added to the end of Section 6.B(6) ("Transfer By You"), of the Area Development Agreement:

> Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **RESTRICTIVE COVENANTS**. The following is added to the end of Section 7.C(1) ("Non-Competition") of the Area Development Agreement:

> Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION**. The first paragraph of Section 9.A of the Area Development Agreement is deleted and replaced with the following:

> We and you agree that, except as set forth below, all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to:
>
> (a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);
>
> (b) our relationship with you;
>
> (c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 9.A which we and you acknowledge is to be determined by an arbitrator, not a court); or
>
> (d) any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one (1) arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business (currently, Englewood, Colorado); provided however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site at which we and you mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). 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.

5. **GOVERNING LAW**. Section 9.B of the Area Development Agreement is deleted and replaced with the following:

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER UNITED STATES FEDERAL LAW, AND EXCEPT AS OTHERWISE REQUIRED BY NORTH DAKOTA LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO) WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES; EXCEPT THAT (1) ANY LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION, AND (2) THE ENFORCEABILITY OF THOSE PROVISIONS OF THIS AGREEMENT WHICH RELATE TO RESTRICTIONS ON YOU AND YOUR OWNERS' COMPETITIVE ACTIVITIES WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH YOUR BUSINESS IS LOCATED.

6. **CONSENT TO JURISDICTION**. The following is added to the end of Section 9.C of the Area Development Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, AND SUBJECT TO YOUR ARBITRATION OBLIGATIONS, YOU MAY BRING AN ACTION IN NORTH DAKOTA FOR CLAIMS ARISING UNDER THE NORTH DAKOTA FRANCHISE INVESTMENT LAW.

7. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL**. If and then only to the extent required by the North Dakota Franchise Investment Law, the first sentence of Section 9.D of the Area Development Agreement is deleted.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

ELEMENTS THERAPEUTIC MASSAGE, LLC, a Delaware limited liability company	**DEVELOPER:** **[NAME OF INDIVIDUAL OR ENTITY]**
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

EXHIBIT B

FRANCHISE AGREEMENT

ELEMENTS THERAPEUTIC MASSAGE, LLC

FRANCHISE AGREEMENT

____
FRANCHISE OWNER

____

____

____
STUDIO ADDRESS

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC,** a Delaware limited liability company, with its principal business address at 9780 S. Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("**we**," "**us**," or "**our**"), and_____________________________, a(n) ____________________________ whose principal business address is ______________________________ ("**you**" or "**your**") as of the date signed by us and set forth opposite our signature on this Agreement (the "**Effective Date**").

INTRODUCTION

A. We and our affiliates have, with considerable effort, developed (and continue to develop and modify) a system and franchise opportunity to establish, operate and promote therapeutic massage studios under the Marks (as defined below) offering various forms of therapeutic massage services and other related services and products ("**Studios**").

B. We and our affiliates use and promote, and license others to use and promote, certain trademarks, service marks, and other commercial symbols in operating Studios, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols to identify the Studios (collectively, the "**Marks**").

C. Studios will offer the services and goods we authorize, and use our distinctive business formats, business system, methods, procedures, signs, designs, layouts, standards, specifications, and the Marks, all of which we may improve, further develop, or otherwise modify from time to time (collectively, the "**Franchise System**").

D. We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort to own and operate Studios, and you have applied and been approved for a franchise to own and operate a Studio.

1. GRANT OF FRANCHISE.

A. Grant and Term of Franchise.

Subject to this Agreement's terms, we grant you a franchise to use the Franchise System and the Marks to operate a Studio ("**your Studio**") at the specific address and location identified on **<u>Exhibit B</u>** (the "**Premises**"). If the Premises has not been determined as of the Effective Date, the Premises will be selected in accordance with Section 2.A., provided that the Premises is located within the geographical area set forth on **<u>Exhibit B</u>**.

The term of this Agreement begins on the Effective Date and expires ten (10) years from that date, unless sooner terminated as provided herein.

You agree at all times faithfully, honestly, and diligently to perform your obligations under this Agreement and to use your best efforts to promote your Studio. You may use the Premises only for your Studio. You agree not to conduct the business of your Studio at any site other than the Premises.

You agree and represent that you and such persons as we designate, which may include the spouses of your owners (if you are an Entity, as such term is defined below), will execute an agreement, in the form set forth in **Exhibit E** (the "**Guaranty**"), under which such persons undertake personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us.

B. Corporation, Limited Liability Company, or Partnership.

If you are a corporation, limited liability company, or general or limited partnership (collectively, an "**Entity**"), you agree and represent that:

(1) you are validly existing and in good standing under the laws of the state in which you were formed, and have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements;

(2) your organizational documents state that this Agreement restricts the issuance and transfer of any of your ownership interests, and all certificates and other documents representing your ownership interests will bear a legend referring to this Agreement's restrictions;

(3) **Exhibit A** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us a revised **Exhibit A** to reflect any changes in your ownership information;

(4) the owner listed on **Exhibit A** who is a natural person with at least a twenty-five percent (25%) ownership interest and voting power in you, with the authority to take legally binding actions on your behalf, and who we approve, will act as your **"Operating Partner**". Except as otherwise set forth in Section 12.F., in the event that your Operating Partner ceases to own at least a twenty-five percent (25%) ownership interest and voting interest in you, your Operating Partner resigns or otherwise indicates to us or to you that he or she wishes to cease acting as Operating Partner, or we disapprove of your Operating Partner at any time, you must designate a new Operating Partner we approve within thirty (30) days of the change in ownership or disapproval and deliver to us a revised **Exhibit A** to accurately identify the Operating Partner for our review and approval;

(5) you agree that the Operating Partner is authorized to deal with us on your behalf for all matters whatsoever that may arise with respect to this Agreement. Any decision made by the Operating Partner will be final and binding on you, and we will be entitled to rely solely on the decision of the Operating Partner without discussing the matter with any other party. We will not be held liable for any actions based on any decision or actions of the Operating Partner; and

(6) your Studio will be the only business that such entity operates, unless we approve you to acquire and operate additional Studios pursuant to additional franchise agreements between us and you.

C. Your Protected Area.

Except as provided in this Agreement, and subject to your compliance with this Agreement, neither we nor any affiliate of ours shall establish or authorize any person or entity to establish a Studio using the Marks and the Franchise System within the geographic area assigned to you in **Exhibit B** upon the determination of your Studio's Premises (the "**Protected Area**") during the term of this Agreement. The license granted to you under this Agreement is personal in nature, may not be used at any location other than your Studio, does not include the right to sell products or services identified by the Marks at any location other than at your Studio, and does not include the right to sell products or services identified by the Marks through any other channels of distribution, including the Internet (or any other existing or future form of electronic commerce). You will not have the right to subfranchise or sublicense any of your rights under this Agreement.

D. Territorial Rights We Reserve.

You acknowledge and agree that the franchise granted under this Agreement is non-exclusive. Other than your Protected Area, you have no territorial protection and we (and our affiliates) retain all rights with respect to the placement of Studios and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities, without compensation to you. These rights include:

(1) the right to establish and operate, and allow others to establish and operate, other Studios and other businesses using the Marks or the Franchise System, at any location outside the Protected Area, and on any terms and conditions we approve;

(2) the right to establish and operate, and allow others to establish and operate, additional concepts or businesses providing products or services similar to those provided at Studios anywhere in the world, including within your Protected Area, under any trade names, trademarks, service marks and commercial symbols other than the Marks;

(3) the right to establish, and allow others to establish, other distribution channels (including, the internet or retail stores) wherever located or operating, including within your Protected Area, regardless of the nature or location of the clients, and regardless of the trade names, trademarks, service marks or commercial symbols used by such business, which may include the Marks and/or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and which may sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell under any terms and conditions we approve;

(4) offer and sell (and grant others to offer and sell) goods and services to clients located anywhere, including in your Protected Area;

(5) the right to establish and operate, and allow others to establish and operate, other Studios and other businesses using the Marks or the Franchise System, at Captive Market Locations. "**Captive Market Locations**" are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store,

hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Protected Area.

(6) the right to acquire, to merge, or be acquired by (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction) a business providing products and services similar to those provided at Studios, even if such business operates, franchises and/or licenses Competitive Businesses (as defined in Section 7.A.); and

(7) engage in all other activities not expressly prohibited by this Agreement.

2. DEVELOPMENT AND OPENING OF THE STUDIO

A. Site Selection.

The territory identified in **Exhibit B** of this Agreement (the "**Search Territory**") is the area in which you will focus your efforts to find an acceptable location for your Studio. We are identifying the Search Territory for the sole purpose of facilitating the orderly development of the market, and not for purposes of granting you any exclusivity or protection within the Search Territory. You acknowledge and agree that the Search Territory description set forth on **Exhibit B** is subject to change upon mutual written agreement by you and us.

We must approve the Premises. If the location for the Premises is not specified on **Exhibit B** as of the Effective Date, then you will submit to us a complete report for a site you propose for your Studio, which must be located within the Search Territory. Unless you have our prior written approval to search for a proposed site outside of your Search Territory, all site reports that you submit to us must be for a site within your Search Territory. Your report must contain the documents and information we require, including a description of the proposed site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. We may also require that you hire a commercial real estate broker that we designate, which may be one of our affiliates, to assist you with the site-selection process.

We have the right to accept or not accept all proposed sites, including sites selected using the services of any of our designees. We will use reasonable efforts to accept or not accept the proposed site within thirty (30) days after receiving your report. After we approve a site, and after you secure the site, we will insert the address on the cover page of this Agreement and into **Exhibit B** and it will be the Premises.

You acknowledge and agree that your acceptance of a site is based on your own independent investigation of the site's suitability for your Studio. Neither the information we give you regarding a site for the Premises (including any recommendations) nor the assistance we or our representatives provide you in selecting the site, constitutes a representation or warranty of any kind, express or implied, of the site's suitability for your Studio or any other purpose. Our recommendations and assistance indicate only that we believe that the site and location meet our then-acceptable criteria.

B. Lease of Site.

You must obtain our written approval of your Studio's proposed site before signing any lease, sublease, or other document for the Premises (the "**Lease**"). We also must approve the terms of the Lease before you sign it. The Lease must contain certain provisions we require, including a collateral assignment of the lease, pursuant to the form of lease rider attached as **Exhibit F** (“**Lease Rider**”). It is your sole responsibility to obtain a fully executed Lease Rider in connection with executing your Lease. Our approval of your Lease is subject to our receipt of the Lease Rider in the form attached as **Exhibit F**, without modification or negotiation, executed by you and the landlord. If you or the landlord request that we consider any modifications to the Lease Rider, and we elect to do so, we may also require you to reimburse us all expenses that we incur (including attorneys’ fees) in connection with such review. We may also reject any request for modifications to the Lease Rider for any reason.

Our approval of the Lease does not constitute a guarantee or warranty, express or implied, of the success or profitability of your Studio operated at the Premises. Our approval and assistance indicate only that we believe that the Lease’s terms meet our then-acceptable criteria. You must obtain our written approval of your Studio’s proposed site for the Premises and sign the Lease within one hundred eighty (180) days of the Effective Date. You must deliver to us a signed copy of the Lease within ten (10) days after its execution.

C. Relocation

You may not relocate your Studio to a location other than the Premises without our prior written approval. Our decision on whether to approve or deny a relocation request will be based on our then-current standards for approving relocations requests, which may include a variety of factors including the viability of the proposed location and the availability of alternative locations. We will endeavor to provide a written response to any relocation request within thirty (30) days of receiving your written request. If we allow you to relocate your Studio, the relocation will be subject to the site selection and lease provisions set forth above and will occur at your sole expense.

D. Development and Construction of Your Studio.

You are responsible for developing the Premises. If you need to secure financing to complete your development obligations, you agree to do so independently and at your own expense.

No later than ten (10) days after the date that you sign an approved Lease for the Premises, you must pay to us a non-refundable site survey fee equal to $2,500, in the form of a lump sum payment by ACH (the “**Site Survey Fee**”). You acknowledge and agree that any site surveys and preliminary floor plans generated by us or our approved architects and/or contractors in connection with the Site Survey Fee is not intended to imply or guarantee the success or profitability of your Studio.

We will give you (or if we have designated an approved supplier to develop design specifications for your Studio, we will give that approved supplier) mandatory and suggested specifications for the Premises, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. You agree to develop, construct, and decorate the Premises at your own expense according to plans and specifications approved by us and in accordance with the requirements of the Lease and applicable law.

We reserve the right to require you to use one of our approved architects and/or contractors. You must hire a service provider that we designate to assist you with the construction-management process. If we approve an exception to the requirement that you use our designated service provider for construction-management services, you must pay us a construction management fee of $5,000. You must send us your development and construction plans and specifications for review for compliance with our design requirements and obtain our approval before you begin construction. You must send us any revisions of plans or specifications before such revisions are implemented.

If you wish to refurbish or remodel the Premises during the term of the Agreement, you must obtain our approval for your proposed plans and specifications.

It is your responsibility to ensure all required construction plans and specifications comply with the Americans with Disabilities Act ("**ADA**") and all other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions, and that the Premises complies with such laws and regulations.

E. Operating Assets.

Before you open your Studio, you agree to obtain and install the fixtures, furniture, equipment, components of the Computer System (as defined in Section 2.F.), and signs that we approve for Studios as meeting our specifications and standards for quality, design, appearance, function, and performance (collectively, "**Operating Assets**"). You agree to purchase or lease the brands, types, and models of Operating Assets that we designate or approve. You agree to purchase or lease the Operating Assets only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

F. Computer System.

You agree to obtain and use the computer hardware, sales and scheduling software, point-of-sale system, other operating software, applications, platforms and existing or future technology components we specify from time to time (the "**Computer System**"). We may replace or modify all or components of the Computer System from time to time and you agree to implement our replacements or modifications after you receive notice from us at your expense. We might periodically require you to purchase, lease, and/or license new or modified components of the Computer System and to obtain service and support for the Computer System.

You must obtain and install the Computer System, and ensure that the Computer System is functioning properly, before your Studio opens.

You must pay for any proprietary software, applications or other technology that we, our affiliates or third-party designees license to you and for other maintenance and support services that we, our affiliates or third-party designees provide during this Agreement's term. We or our affiliates may condition your license or use of any proprietary software, applications or other technology that we or our affiliates designate, develop or maintain, on your signing a license agreement or similar document that we or our affiliates approve to regulate your use of, and our and your respective rights and responsibilities with respect to, such software, applications or other technology.

The Computer System must give us and our affiliates access to all information generated by the Computer System, including pricing and client information for your Studio. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data.

You are solely responsible for acquiring, operating, maintaining and upgrading: (1) the Computer System; (2) the connectivity of your Computer System (including the point-of-sale system); and (3) third-party interfaces between the Computer System and our and any third party's computer system. You are solely responsible for any and all consequences if the Computer System is not properly operated, maintained, and upgraded. You also are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures or attacks.

G. Telephone Numbers and Social Media Accounts.

You agree that each telephone or facsimile number, directory listing, social media presence and any other type of contact information used by or that identifies or is associated with your Studio (any "**Contact Identifiers**") will be used solely to identify your Studio in accordance with this Agreement. You are required to execute the form of Assignment of Contact Identifiers and Online Presences attached as **Exhibit H** to grant us with full power and control over the Contact Identifiers and Online Presences upon termination or expiration of this Agreement.

H. Studio Opening.

You may not open your Studio until you have received our written approval and the following has occurred:

(1) we notify you in writing that your Studio meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that your Studio complies with applicable laws, ordinances, rules, regulations, or other requirements);

(2) You (or your Operating Partner) and any manager or assistant manager we require, satisfactorily complete the Training Program (defined in Section 4.A.);

(3) you pay the Initial Franchise Fee and all other amounts then due to us;

(4) you give us certificates for all required insurance policies (as described in Section 8.J.);

(5) you obtain all required supplies and opening inventory for your Studio;

(6) you obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;

(7) you hire a minimum of six (6) massage therapists, subject in all instances to the licensure and background check requirements set forth in Section 8.I., in anticipation of your Studio's opening;

(8) you submit a completed trade area survey and a proposed advertising and marketing plan for approval (as described in Section 9.B.); and

(9) you meet all regulatory requirements, including all state and local professional regulations.

Subject to your compliance with these conditions, you agree that you must open your Studio for full use by clients by the first anniversary of the Effective Date. The date that your Studio first opens for business for full use by clients shall be referred to herein as the "**Opening Date**." Starting on the Opening

Date, you must operate your Studio continuously for the remainder of the term of this Agreement during the minimum business hours we require.

3. FEES.

A. Initial Franchise Fee.

You agree to pay us a nonrecurring initial franchise fee in the amount of $39,900, unless otherwise specified in **Exhibit B** (the "**Initial Franchise Fee**") when you sign this Agreement. The Initial Franchise Fee must be paid as a lump sum by wire transfer and is fully earned by us upon execution of this Agreement and is non-refundable.

B. Royalty Fee.

You agree to pay us a monthly royalty fee (the "**Royalty**") equal to six percent (6%) of your Studio's Gross Receipts during the preceding month. We reserve the right, upon notice to you, to collect the Royalty on a weekly, rather than monthly, basis. The Royalty will be due on the dates we determine from time to time. If the date on which a Royalty payment would otherwise be due is not a business day, then payment shall be due on the next business day.

For purposes of this Agreement, "**Gross Receipts**" include all of your revenue and receipts, including those taken by cash, credit card, debit card, check, electronic funds transfer, ACH, trade, barter or exchange. Gross Receipts also include: (a) any other means of revenue derived from the operations of your Studio, including the sale of Memberships (as defined in Section 8.L.), merchandise, or any products or services that are sold by you, whether sold at the Premises or from an off-Premises location; (b) all revenue from the sale or redemption of Gift Cards (as defined in Section 8.N.), in accordance with our then-current System Standards; and (c) the gross amount of any business interruption or similar insurance payments. Gross Receipts exclude: (i) sales, use or privilege taxes paid to the appropriate taxing authority; (ii) refunds that are provided to clients; and (iii) tips received from clients for payment to your employees.

You shall not charge clients any additional fees or service charges not authorized by us, including convenience fees, gift card conversion fees, credit card fees, service fees, or other surcharges.

C. Technology Fee & Set-Up Fees.

We require you to pay a fee to us, or a service provider we designate (which may be one of our affiliates), for technology-related services, including website or email hosting, help desk support, software or website development, enterprise solutions and other services associated with your Computer System and/or any Franchise System Website (as defined in Section 9.F.) (a "**Technology Fee**"). The Technology Fee is currently $475 per month, payable by ACH (as defined in Section 3.G.) on the first day of each calendar month, beginning two (2) months prior to your Studio's opening. We may modify the amount of your Technology Fee periodically. You must pay the Technology Fee at the times, and in the manner, designated by the provider of such services. We may require you to enter into a written agreement with the provider of any technology services, with terms and conditions we approve. If we travel to your Studio to provide any technological support and/or installation services, you must also reimburse us for the costs we incur for such site visit, including travel, food and lodging. Prior to opening your Studio, you will be required to pay us a software set-up fee of $499 and a national Gift Card program set-up fee of $75, each payable by ACH.

D. Interest on Late Payments.

All amounts that you owe us for any reason will bear interest accruing as of their original due date at one-and-one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. We may debit your bank account automatically for transaction charges and interest. You acknowledge that this Section 3.D. is not our agreement to accept any payments after they are due or our commitment to extend credit to you or otherwise finance the operation of your Studio.

E. Default Fee

If you are in default of this Agreement and we send you a default notice, you must pay us a fee of $250 in consideration for our administrative expenses.

F. Application of Payments.

Despite any designation you make, we may apply any of your payments to us or our affiliates to any of your past due indebtedness to us or our affiliates. We may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us due to our alleged nonperformance of any of our obligations under this Agreement.

G. Method of Payment.

You must make all payments due under this Agreement in the manner we designate from time to time and you agree to comply with all of our payment instructions. You hereby authorize us and/or any third party we designate to debit your business checking account automatically (sometimes referred to as "**ACH**" or "**auto-debit**") for any or all amounts due under this Agreement (the "**Automatic Bank Draft Authorization**"). You agree to execute and deliver to us any document(s) we require to evidence the Automatic Bank Draft Authorization. Our current form of Automatic Bank Draft Authorization is attached hereto as **Exhibit G**. The Automatic Bank Draft Authorization will remain in full force and effect during the term of this Agreement. We or our designee will debit the business account you designate in the Automatic Bank Draft Authorization for amounts you owe us on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You must have one sole designated business account for your Studio for all payments received from clients and for all payments to be made to us. You agree to ensure that funds are available in your designated account to cover our withdrawals. You shall pay us a fee of $150 each time we attempt to debit your business account and your account is inaccessible or we receive a notice of insufficient funds or you write us a check that is returned, cancelled, or dishonored. You must sign and deliver to us a revised **Exhibit G** to reflect any changes in your business checking account information at least three (3) business days prior to the next scheduled ACH due to us.

We may receive information regarding your Gross Receipts through our access to the Computer System or we may require you to submit monthly (or more frequent) Gross Receipts reports in the format we require. If we ever stop having access to information from your Computer System, and you fail to report your Studio's Gross Receipts when due, then for each payment due under this Agreement that is calculated based on Gross Receipts, we may debit your business account one hundred ten percent (110%) of the average of the last three (3) applicable payments that we debited. If the amounts that we debit from your business account are less than the amounts you actually owe us (once we have determined your Studio's true and correct Gross Receipts), we will debit your business account for the balance on any day we specify. If the amounts that we debit from your business account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date.

4. TRAINING AND ASSISTANCE.

A. Initial and Ongoing Training.

Before the Opening Date, we will provide initial training on the operations of a Studio to you (or your Operating Partner) and Designated Manager (as defined in Section 8.H.) (the "**Training Program**"), at no cost to you, if all such persons attend the Training Program at the same time. If we provide any portion of the Training Program more than one time, we may charge you our then-current training fee for any training that we have previously provided to at least one trainee associated with you. We may also elect not to provide any portion of the Training Program more than once. You may invite additional employees to attend the Training Program if space allows, though we reserve the right to charge you our then-current training fee for each additional individual. We reserve the right to require any additional managers and/or assistant managers of your Studio to attend the Training Program. We reserve the right to limit the number of additional attendees for the Training Program. You may also request that we provide any portion of the Training Program on-site at your Studio, and we will determine whether to provide such portion of the Training Program on-site. If we provide any portion of the Training Program on-site at your Studio, we reserve the right to charge our then-current training fee.

We will provide the Training Program at the times and locations we determine. We reserve the right to vary the Training Program based on the experience and skill level of the individual(s) attending. You (or your Operating Partner) and your Designated Manager (if applicable) must satisfactory complete the Training Program no later than four (4) weeks before the Opening Date.

If you (or your Operating Partner) or your Designated Manager (if applicable), or any manager and/or assistant manager required by us, fail to satisfactorily complete the Training Program then we reserve the right to require such individual to attend additional training and you may be required to pay us our then-current training fee for such additional training. Additional training will be provided at a time and location of our choice. If you (or your Operating Partner), or any manager and/or assistant manager required by us (including any applicable Designated Manager), are unable to satisfactorily complete the additional required training, we reserve the right to terminate this Agreement.

You are responsible for providing a training program concerning the operation of your Studio in accordance with our System Standards for all your employees other than the attendees of the Training Program. All employees must pass the program, to your satisfaction, prior to providing services at your Studio. We reserve the right to approve the length and content of all training programs you provide to your employees and to require specific mandatory training programs (as further set forth in this Section 4.A.) for certain job positions to ensure compliance with our System Standards.

If you appoint a new Operating Partner or Designated Manager, he or she may be required to attend the then-current Training Program within ninety (90) days of the appointment date and you may be required to pay us our then-current training fee, unless we determine that you are sufficiently trained to provide a comparable substitute training program to such new Operating Partner or Designated Manager. If we permit you to train any Operating Partner or Designated Manager yourself, you must provide such training according to our then-current standards and specifications, and we must determine that such Operating Partner or Designated Manager has been adequately trained prior to providing any services at your Studio. If we determine that any Operating Partner or Designated Manager that you trained is not sufficiently trained to provide services at your Studio, we may require such person attend our Training Program and you may be required to pay us our then-current training program fee. If we determine that you are (or your Operating Partner is) sufficiently trained to provide a comparable substitute training program to any Designated Manager, we may elect not to make the Training Program available to such person until the next time our Training Program would otherwise be offered.

We may require you (or your Operating Partner), and/or certain other managers and employees of your Studio (including any applicable Designated Manager) to attend or otherwise complete various training courses (including electronic training courses), trade shows, ongoing education or certification programs, and/or webinars at the times and locations designated by us, including courses and programs provided by third parties we designate.

Besides attending these training courses, programs and events, you (or your Operating Partner) and any applicable Designated Manager are required to attend any scheduled annual meeting of franchise owners. You will be required to pay our then-current registration fee. If you do not attend, we will charge you the default fee (as set forth in Section 3.E.) for failing to attend. We may additionally require you (or your Operating Partner) to attend regional meetings for franchise owners. These annual and regional meetings will be held when we determine at locations we designate.

After the Opening Date, based on the factors we determine, we may offer you (or your Operating Partner) and any applicable Designated Manager the opportunity to attend an advanced manager training program. If we offer such training and you elect to attend such training, you may be required to pay us our then-current training fee.

You agree to pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you (or your Operating Partner) or any employee or manager (including any applicable Designated Manager) incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our trainer(s) to your Studio to conduct training, including food, lodging and transportation.

B. Opening Assistance.

We will send a training team we determine (which may be comprised of only one (1) person) for up to five (5) days (which may not be consecutive) to your Studio to assist you with final suggestions on your Studio and provide on-site advice, guidance, and initial operations support.

C. General Guidance.

We may advise you from time to time regarding your Studio's operation based on your reports or our inspections. We may guide you with respect to: (1) standards, specifications, and operating procedures and methods that Studios use, including, facility appearance, client-service procedures, and quality control; (2) equipment and facility maintenance; (3) inventory management and working with suppliers; (4) advertising, marketing and branding strategies; and (5) administrative, accounting, reporting and record retention. Such guidance will be furnished in the form of our Operations Manual (as defined in Section 4.D.). We may also provide guidance via telephonic conversations and/or consultation at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-applicable fee, including our personnel's per diem charges and travel and living expenses. We reserve the right to periodically visit the Premises and evaluate your Studio.

D. Operations Manual.

We will make one (1) copy of our manual for the operation of Studios available to you during the term of this Agreement, which may include one or more separate manuals, as well as information available on an internet site, other electronic media, bulletins and/or other written materials (collectively, the "**Operations Manual**"). The Operations Manual contains the mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating a Studio ("**System Standards**"), other specifications, standards and procedures that we suggest, and information on your other obligations under this Agreement. Any mandatory specifications, standards, operating procedures, and rules exist to protect our interests in the Franchise System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. We may modify the Operations Manual at any time.

If there is a dispute over its contents, our master copy of the Operations Manual shall control. You agree that the Operations Manual's contents are confidential and that you will not disclose the Operations Manual to any person other than any employee of yours who needs to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual.

You agree to keep your copy of the Operations Manual current and in a secure location at your Studio. At our option, we may post some or all of the Operations Manual on a restricted website or extranet to which you will have access. If we do so, you agree to monitor and access the website or extranet for any updates to the Operations Manual. Any passwords or other digital identifications necessary to access the Operations Manual on a website or extranet will be deemed to be part of Confidential Information (as defined in Section 6 below).

5. MARKS.

A. Ownership and Goodwill of Marks.

Your right to use the Marks is derived only from this Agreement and is limited to the operation of your Studio according to this Agreement and all System Standards we prescribe during the term of this Agreement. Your unauthorized use of the Marks is a breach of this Agreement and infringes our rights in the Marks. Your unauthorized use of the Marks will cause us irreparable harm for which there is no adequate remedy at law and will entitle us to injunctive relief. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for our benefit and this Agreement does not confer any goodwill or other interests in the Marks to you (other than the right to operate your Studio under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, ownership, distinctiveness, or enforceability of the Marks.

B. Limitations on Your Use of Marks.

You agree to use the Marks as your Studio's sole identification, except that you agree to identify yourself as its independent owner and operator in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (3) in selling any unauthorized services or products, (4) as part of any website, domain name, email address, social media account, other online presence or presence on any electronic medium of any kind ("**Online Presence**"), except in accordance with our guidelines set forth in the Operations Manual or otherwise in writing from time to time; (5) in advertising the transfer, sale, or other disposition of your Studio or an ownership interest in you without our prior consent, or (6) in any other manner that we have not expressly authorized in writing. You agree to display the Marks prominently as we prescribe at your Studio and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.

C. Notification of Infringements and Claims.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any possible infringement, challenge, or claim. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your reasonable costs of taking any action that we have asked you to take.

D. Discontinuance of Use of Marks.

We may at any time require you to modify or discontinue using any Mark and/or use one or more additional or substitute Marks. You agree to replace the Marks at your Studio with the modified, additional or substitute Marks we specify and comply with all other directions we give regarding the Marks at your Studio within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute Mark. Our rights in this Section 5.D. apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. You acknowledge both our right to take this action and your obligation to comply with our directions.

E. Indemnification for Use of Marks.

We agree to reimburse you for all damages and expenses that you incur in responding to any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement if you have timely notified us of the proceeding and complied with our directions in responding to it and have used the Marks in accordance with the terms of this Agreement. We will not pay any of your attorneys' fee if you hire your own attorney. At our option, we may defend and control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. CONFIDENTIAL INFORMATION.

A. Confidential Information

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "**Confidential Information**"), relating to developing and operating Studios, including:

(1) training and operations materials, including the Operations Manual;

(2) the System Standards and other methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Studios;

(3) market research, promotional, marketing and advertising strategies and programs for Studios;

(4) strategic plans, including expansion strategies and targeted demographics;

(5) knowledge of, specifications for and suppliers of, and methods of ordering, Operating Assets and other products and supplies;

(6) any computer software or similar technology which is proprietary to us or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(7) knowledge of the operating results and financial performance of Studios (other than your Studio);

(8) information generated by, or used or developed in, your Studio's operation, including information relating to clients such as client names, addresses, telephone numbers, email addresses, buying habits, preferences, demographic information and related information, and any other information contained from time to time in the Computer System ("**Client Information**"); and

(9) any other information designated as confidential or proprietary by us.

All Confidential Information will be owned by us. You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating your Studio during this Agreement's term, and that Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you agree, and you in fact do agree, that you and your owners:

(a) will not use Confidential Information in any other business or capacity and the use or duplication of any Confidential Information in any other business or capacity would constitute an unfair method of competition;

(b) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement's term and then thereafter;

(c) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

(d) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including by restricting its disclosure and/or by requiring persons who have access to the Confidential Information to execute confidentiality and non-solicitation agreements in the form attached as **Exhibit D**; and

(e) will not sell, trade or otherwise profit in any way from the Confidential Information, except using methods approved by us.

Confidential Information does not include information, knowledge, or know-how, which (i) before we provided it to you, lawfully came to your attention, (ii) before we disclosed it to you, had already lawfully become known to you through publication or communication by others (without violating an obligation to us or our affiliates), or (iii) after we disclosed it to you, lawfully becomes known through publication or communication by others (without violating an obligation to us or our affiliates). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

All ideas, concepts, techniques, or materials relating to a Studio, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our sole and exclusive property, part of the Franchise System, and works made-for-hire for us. To the extent that any item does not qualify as a "work made-for-hire" for us, you hereby assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item.

B. Trade Secrets

You understand and agree that you will come into possession of certain of our trade secrets concerning the manner in which Studios conduct business including: methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; and any other materials clearly marked or labeled as trade secrets. You agree that the forgoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to us. You agree that you derive independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by another person. You agree to take reasonable measures, as we may describe further in the Operations Manual, to keep such information secret. Upon termination of this Agreement, you must not use, sell, teach, train, or disseminate in any manner to any other person, firm, corporation, or association any trade secret pertaining to our business and/or the manner in which it is conducted.

7. EXCLUSIVE RELATIONSHIP DURING TERM.

A. Covenants Against Competition.

You acknowledge that we have granted you a franchise in consideration of and reliance on your agreement to deal exclusively with us. You therefore agree that, during this Agreement's term, neither you, any of your owners, nor any of your or your owners' immediate family members will:

(1) have any direct or indirect controlling or non-controlling ownership interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business (as defined below), wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of

ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(2) act as a director, officer, manager, employee, consultant, lessor, representative, or agent for a Competitive Business, wherever located or operating;

(3) divert or attempt to divert any actual or potential business or client of your Studio to a Competitive Business; or

(4) engage in any other activity which might injure the goodwill of the Marks and Franchise System.

You agree to obtain similar covenants from your personnel as we specify, including officers, directors, managers and other employees attending our Training Program or having access to Confidential Information. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of that agreement with independent enforcement rights.

The term "**Competitive Business**" means any business (excluding any Studios operated under a franchise agreement with us or our affiliate) operating, or granting, franchises or licenses to others to operate any business that: (i) offers therapeutic massage or bodywork services or other massage services; and/or (ii) offers or sells products or educational materials, or conducts workshops, that are the same as or similar to products, educational materials, and workshops, offered by us or other Studios.

B. Non-Interference.

You further agree that, during the term of this Agreement, neither you, any of your owners, nor any of your or your owners' immediate family members will solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any clients, vendors, or consultants.

C. Non-Disparagement.

You agree not to (and to use your best efforts to cause your current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, the "Elements Massage" brand, the Franchise System, any Studio, any business using the Marks, or (ii) take any other action which would, directly or indirectly, subject the "Elements Massage" brand to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us or the "Elements Massage" brand.

8. SYSTEM STANDARDS.

A. Compliance with System Standards.

You acknowledge and agree that operating and maintaining your Studio according to our System Standards is essential to preserve the goodwill of the Marks and all Studios. Therefore, you agree, at all times, to operate and maintain your Studio according to all of our System Standards, as we periodically modify and supplement them, even if you believe that a System Standard is not in the Franchise System's or your best interests. Although we retain the right to establish and periodically modify System Standards, you (or your Operating Partner) are solely responsible for the management and operation of your Studio and for implementing and maintaining System Standards at your Studio.

As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the items described in Sections 8.B. through 8.N. below:

(1) amounts and types of equipment and inventory you must purchase and/or maintain;

(2) sales, marketing, advertising, and promotional campaigns, including prize contests, special offers and other national, regional or location marketing programs, and materials and media used in these programs;

(3) if we require you to offer any off-site services, the methods you use to operate, offer and sell such services;

(4) use and display of the Marks at your Studios and on uniforms, labels, forms, paper, products, and other supplies;

(5) issuing and honoring gift cards, gift certificates and similar items, and participating in loyalty card programs;

(6) pre-opening and ongoing staffing levels for your Studio; and employee credentials and qualifications, training, dress, and appearance (although you have sole responsibility and authority concerning employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions);

(7) days and hours of operation;

(8) client-service standards and policies, and participation in quality-assurance and client-satisfaction programs;

(9) product and service development programs, including participation in market research and testing;

(10) participation in, and dues assessed for, advisory councils;

(11) accepting cash, credit and debit cards, other payment systems, and check-verification services (and any evolutions or "next generations" of any of the foregoing payment methods);

(12) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and

(13) any other aspects of operating and maintaining your Studio that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Studios.

B. Variation and Modification of System Standards.

You acknowledge that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary System Standards for any franchise owner as we determine. We may choose not to authorize similar variations or accommodations to you or other franchise owners. We may also permit variations in the System Standards between Studios owned by us (or our affiliates) and Studios owned by franchisees.

We will periodically modify System Standards. These modifications may obligate you to invest additional capital in your Studio and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling your Studio, buying new Operating Assets, adding new products and services, adding personnel or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date. We may require you to conduct mystery-shopper, client-survey, or other market-research testing, and quality-assurance inspections at your Studio at your expense.

C. Condition and Appearance of Your Studio.

During the term of this Agreement, you must regularly clean, repaint, and repair the interior and exterior of the Premises, repair or replace damaged, worn-out, or obsolete Operating Assets, and otherwise maintain the condition of your Studio, the Premises, and the Operating Assets to meet the highest standards of professionalism, cleanliness, sanitation, efficiency, courteous service, and pleasant ambiance.

You will place or display at the Premises (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that we from time to time approve.

D. Approved Products and Services.

You agree that: (1) you will offer for sale or sell at your Studio only the products and services that we specify from time to time; (2) you will offer for sale or sell at your Studio approved products and services only in the manner and at the locations we have prescribed and will not sell any products or services wholesale or through alternative channels of distribution (including, the internet or retail stores); (3) you will not offer for sale or sell at your Studio, the Premises or any other location any products or services we have not approved (including any off-site services we have not authorized); (4) you will discontinue selling and offering for sale at your Studio any products or services that we at any time decide to disapprove; (5) you will purchase and use only the brands, types, or models of products, materials, supplies and services (including the Operating Assets and the Computer System) that we designate for operating your Studio; and (6) your Studio will provide services and sell products only on the days and during the hours approved by us.

If we at any time (including after our initial approval) determine that you fail to meet our System Standards for providing any products or services that we require, we may permanently or temporarily terminate your right to offer such products or services; provided that nothing contained herein shall be deemed a waiver of our right to terminate pursuant to Section 14.

E. Approved Distributors and Suppliers.

We may designate, approve or develop standards and specifications for manufacturers, distributors and suppliers of products and services to your Studio, which may be us or our affiliates (collectively, "**suppliers**"). You must purchase the products and services we periodically designate only from the suppliers we prescribe and only on the terms and according to the specifications we approve. We may designate a single supplier for any product, service (including digital marketing services), Operating Asset, or other material, or approve a supplier only for certain products.

You acknowledge and agree that we and/or our affiliates may derive revenue based on your purchases (including from charging you for products and services we or our affiliates provide to you and from promotional allowances, rebates, volume discounts and other payments, services or consideration we receive from suppliers that we designate or approve for some or all of our franchise owners). We and/or any of our affiliates may use such revenue or profit without restriction.

Unless we designate certain items or services used in the development or operation of your Studio that you may purchase from a supplier of your choosing, you must purchase those items or services only from suppliers that are then approved by us. If you would like us to consider approving a supplier that is not then approved, you must submit your request in writing before purchasing any items or services from that supplier. We will not be obligated to respond to your request, and we may require that you pay us a fee to compensate us for the time and resources we spend in evaluating the proposed supplier. Approval of a supplier may be conditioned on any factors we determine, including requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, and standards of service. We may, with or without cause, revoke our approval of any supplier at any time.

F. Compliance with Laws and Good Business Practices.

You must secure and maintain all required licenses, permits and certificates relating to your Studio and must, at all times, operate your Studio in full compliance with all applicable laws, ordinances, and regulations. You agree to comply and assist us in our compliance efforts with any and all laws and regulations, including those relating to truth-in-lending, massage and bodywork businesses, safety and sanitation, truth-in-advertising, occupational hazards, health and anti-discrimination laws (including, but not limited to, the Health Insurance Portability and Accountability Act of 1996, if applicable to your Studio), and anti-terrorist activities (including the U.S. Patriot Act, Executive Order 13224, and related U.S. Treasury and/or other regulations). In connection with such compliance efforts, you agree not to enter into any prohibited transactions and to properly perform any currency reporting and other activities relating to your Studio as may be required by us or by law. You confirm that you and your owners are not listed in the Annex to Executive Order 13224 and agree not to hire any person so listed or have any dealing with a person so listed (the Annex is currently available at http://www.treasury.gov). You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders and/or regulations, and specifically acknowledge and agree that your indemnification responsibilities (as provided in Section 16.D.) apply to your obligations under this Section 8.F.

You and your employees must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with clients, suppliers, us and the public. You agree to refrain from any business or advertising practice which may injure our business and the goodwill associated with the Marks and other Studios. Except as otherwise set forth in the Operations Manual, you must notify us in writing within five (5) days of the threat of or commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of your Studio and of any notice of violation of any law, ordinance, or regulation relating to your Studio.

G. Information Security.

You must implement all administrative, physical and technical safeguards required under applicable law or that we require to protect any 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 information, biometric or health data, government-issued identification numbers and credit report information ("**Personal Information**"), which includes complying with then-current Payment Card Industry Data Security Standards currently found at www.pcisecuritystandards.org, or any similar or subsequent standard, for the protection of cardholder data throughout the term of this Agreement. By way of example and not limitation, you shall institute a data privacy and security policy at your Studio to safeguard the Personal Information. No assistance, guidance, standards or requirements that we provide you constitute a representation or warranty of any kind, express or implied, that your Studio or business is compliant with federal, state, or local privacy and data laws, codes, or regulations, or acceptable industry standards. It is your responsibility to confirm that the safeguards you use to protect Personal Information comply with all laws and industry best practices related to the collection, access use, storage, disposal and disclosure of 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. We reserve the right to conduct a data security and privacy audit of your Studio and your Computer System at any time, from time to time, to ensure that you are complying with our requirements for handling Personal Information. You shall pay the cost of such audit. You agree to cooperate with us fully during this audit. If we exercise any of these rights, we will not interfere unreasonably with your Studio's operation.

H. Management of Your Studio.

Subject to the terms and conditions of this Agreement, you are solely responsible for the management, direction and control of your Studio. However, you (or your Operating Partner) may elect not to supervise your Studio on a full-time basis, provided that you appoint a manager who has completed our then-current Training Program to work full-time at your Studio (your "**Designated Manager**"). Your Designated Manager must supervise the management and day-to-day operations of your Studio and continuously exert his or her best efforts to promote and enhance your Studio and the goodwill associated with the Marks. You must identify your Designated Manager on **Exhibit A**. If you elect not to appoint a Designated Manager, your Designated Manager's employment at your Studio is terminated, or we disapprove your Designated Manager at any time, you (or your Operating Partner) must immediately assume the full-time responsibilities of supervising the management and day-to-day operations of your Studio and continuously exert your best efforts to promote and enhance your Studio and the goodwill associated with the Marks pursuant to the terms of this Agreement. You must notify us of any changes to your Designated Manager's employment as set forth in the Operations Manual.

I. Employees, Agents, and Independent Contractors.

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Studio. You agree that any employee, agent or independent contractor that you hire will be your employee, agent or independent contractor, and not our employee, agent or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Studio in compliance with federal, state, and local employment laws. Any best practices or sample resources we provide related to the foregoing employment matters are optional and for recommendation purposes only.

You must perform background checks (meeting the standards we set forth in the Operations Manual) for all employees you hire and update such background checks as specified in the Operations Manual. These requirements may affect who you may hire.

You must ensure that all your massage therapists are properly licensed (if required in your jurisdiction) and have adequate insurance, including professional liability insurance or its equivalent.

We reserve the right to require that any employee, agent or independent contractor that you hire execute a confidentiality and non-solicitation agreement to protect the Confidential Information. We reserve the right to regulate the form of confidentiality and non-solicitation agreement that you use (including by requiring you to use the agreement attached as **Exhibit D**) and to be a third-party beneficiary of those agreements with independent enforcement rights. You acknowledge that any form of confidentiality and non-solicitation agreement that we require you to use, provide to you, or regulate the terms of (including the agreement attached as **Exhibit D**) may or may not be enforceable in a particular jurisdiction. You agree that you are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of any confidentiality and non-solicitation agreement that your employees, agents and independent contractors sign.

J. Insurance.

During the term of this Agreement you must maintain in force at your sole expense general liability, professional liability, sexual abuse and molestation, cyber-liability, motor vehicle liability, property, worker's compensation, employment practices liability, and other types of insurance we require. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated vendor and on the terms and according to the specifications we approve. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Studio's operation or activities of your personnel in the course of their employment (within and outside your Studio and the Premises). All policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

Other than employment practices coverage, the policies must be occurrence policies, and not claims-made policies. Each insurance policy for liability coverage must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us, our affiliates and their successors and assigns. You must routinely furnish us copies of your Certificates of Insurance, insurance policy endorsements or other evidence of your maintaining this insurance coverage and paying premiums.

Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Studio's operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Studio that you deem appropriate, based on your own independent investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances. No insurance coverage that you or any other party maintains will be deemed a substitute for your indemnification obligations under Section 16.D. or otherwise.

K. Pricing.

Subject to applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by your Studio. If we impose a maximum price for any product or service, you may not charge more for the product or service than the maximum price we impose. If we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. You must comply with any advertising policy we adopt which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

L. Membership Sales.

You must offer and sell rights of access to your Studio, referred to as a "**Membership**" or "**Memberships**." All Memberships must be evidenced by a written agreement (a "**Membership Agreement**") and may not be for a term that extends beyond the expiration of this Agreement. When selling Memberships, you will use the form of Membership Agreement that we will provide to you, and you will not make any modifications in the forms without our prior written consent. Notwithstanding the foregoing, you acknowledge that you are responsible for ensuring that the Membership Agreements comply with all applicable laws and you may modify the Membership Agreements to the extent necessary to comply with such applicable laws, provided that you provide us with immediate written notice of all such modifications. We may modify the types and terms of Memberships to be offered, terminate your right to offer certain types of Memberships, and/or approve or require other types of Memberships for sale at any time.

You will only offer for sale the Memberships in strict compliance with our System Standards. These System Standards may regulate, among others, the following topics: (1) the types and terms of Memberships you may offer; (2) the form(s) of Membership Agreement; (3) the terms and conditions upon which a client may transfer their Membership from your Studio to another Studio and vice versa; (4) admission of clients of your Studio to other Studios; (5) procedures to follow when clients transfer to or from your Studio; (6) use and acceptance of coupons, passes, and certificates; (7) group accounts and group Memberships (and discounts applicable thereto); and (8) payment terms for Memberships.

You agree, upon notice from us, to accept any Memberships we assign to you, honor those Memberships on the terms and conditions of the existing Membership Agreements, and to accept as remuneration only such payments as accrue pursuant to the applicable Membership Agreement from the time of assignment.

M. Audio Entertainment.

You must play the types of music we require. You must acquire or install any audio equipment that we designate or require for use by your Studio and subscribe to music services as we may periodically specify to enable you to broadcast music and other content as specified by us from time to time. We may prohibit you from displaying, exhibiting, broadcasting or providing any media we choose, regardless of content, including prohibiting use of political, religious, or social content in such media.

N. Gift Cards and Loyalty Programs.

You must participate in all gift card, gift certificate, loyalty card, promotional card, award card, or other similar prepaid card, code or other device (collectively, "**Gift Cards**") programs and loyalty programs we periodically establish or approve for Studios. You acknowledge and agree that we may charge you a fee in connection with your participation in these programs, which may include the cost of any third-party vendor commissions or fees incurred by us in connection with the programs. You must purchase Gift Cards from our designated supplier and must use and honor Gift Cards only in the manner we designate and require. We may establish and periodically modify System Standards for calculating Gross Receipts for revenue associated with Gift Cards. Participation in loyalty programs may require you to honor redemption policies that we implement from time to time, which may require you to provide services or products without charge or to reimburse other Studios for services and products provided by them.

9. MARKETING.

A. Grand Opening.

No later than ten (10) days after the date that you sign an approved Lease for the Premises, you must pay to us, in the form of a lump sum payment, by ACH, the amount of $15,000 as a non-refundable grand opening spend fee (the "**Grand Opening Spend Fee**"); provided, however, if you are purchasing an existing Studio, the Grand Opening Spend Fee will be due no later than ten (10) days after the date you take possession of the Studio. The Grand Opening Spend Fee is in addition to your Local Marketing Spend Requirement described below. We will use the Grand Opening Spend Fee to advertise, market, and promote your Studio using any suppliers we may designate in accordance with a marketing and recruiting plan that we determine.

B. Local Marketing Spend Requirement.

(1) You must pay us a fee of $1,625 per month ("**Local Advertising Fee**"). We may modify the amount of your Local Advertising Fee periodically; provided, however, we shall not increase the Local Advertising Fee by more than ten percent (10%) on an annual basis. We currently collect the Local Advertising Fee on the fifteenth (15th) day of each month for the preceding month. We may change the day of the month on which we collect the Local Advertising Fee.

(2) You must additionally spend a minimum of two percent (2%) of the Gross Receipts of your Studio each year toward approved advertising, marketing and promotional programs for your Studio within an area reasonably surrounding your Studio ("**Local Spend Amount**"). We refer to the Local Advertising Fee and your Local Spend Amount together as the "**Local Marketing Spend Requirement**." Your Local Marketing Spend Requirement excludes any contributions you make to the Brand Marketing Fund, defined in 9.D. below, but any contributions you make to a Marketing Cooperative, defined in 9.E. below, will count toward your Local Spend Amount. Your required Marketing Cooperative contributions could, by themselves, exceed the Local Spend Amount.

(3) We or our affiliates may be a supplier of local advertising, marketing and promotional programs for your Studio.

(4) At least ninety (90) days before you open your Studio (or if you are purchasing an existing Studio, at least thirty (30) days before taking possession of the Studio), you must submit to us a completed trade area survey and submit to us for approval an advertising and marketing plan describing your pre-opening advertising plan and your plan for the first three (3) months after the opening or purchase. You will not be permitted to open and/or operate your Studio until we receive the completed trade area survey and approve this advertising and marketing plan. Subsequent to such period, and during the term of this Agreement, you must prepare and execute an advertising and marketing plan that you must provide to us upon our request. You must also provide to us upon request information about the results achieved from implementing your advertising and marketing plan and meeting your Local Marketing Spend Requirement. In addition, we have the right to review your books and records from time to time to determine your expenditures for the Local Marketing Spend Requirement.

C. Advertising by You.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to the highest standards of ethical advertising, the System Standards, and any marketing and the advertising and marketing policies that we prescribe from time to time. At least fourteen (14) days before you intend to use them, you agree to send us samples of all advertising, promotional and marketing materials that we have not previously approved. If we do not approve of the materials within seven (7) days of our receipt of such materials, then they shall be deemed disapproved. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved. You must participate in and market any promotion we require.

D. Brand Marketing Fund.

We have established an advertising and marketing fund (the "**Brand Marketing Fund**") for the marketing, recruiting, advertising, and promotional programs and materials we deem appropriate that will be used nationally, regionally, or locally, and you agree to contribute to the Brand Marketing Fund an amount equal to two percent (2%) of the Gross Receipts of your Studio. Your contribution to the Brand Marketing Fund shall be payable at the same time as the payment of the Royalty, based on Gross Receipts for the immediately preceding reporting period. We have the right to collect for deposit into the Brand Marketing Fund any advertising, marketing, or similar allowances paid to us by suppliers to the Franchise System who instruct us to use the allowances for advertising or marketing purposes. We may incorporate the Brand Marketing Fund or operate it through a separate entity as we deem appropriate. We have no fiduciary obligations to you in connection with our administration of the Brand Marketing Fund. We do not use any of the funds contributed to the Brand Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Brand Marketing Fund on the same basis as you and our other franchisees.

We designate all programs to be financed by the Brand Marketing Fund and have sole control over the creative concepts, materials, and endorsements prepared and used and their geographic, market, and media placement and allocation. The Brand Marketing Fund may be used for any purpose to promote the Franchise System, the Marks, the patronage of Studios, and the Elements Massage brand generally as we determine, including paying for: (1) preparing and producing video, audio, and written materials (including marketing and promotional materials and local studio marketing advertisements we prepare) and electronic media; (2) administering national, regional, multi-regional, and local marketing, recruiting, advertising, and promotional programs, including purchasing space in print publications, direct mail, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; (3) supporting public relations, market research, and other marketing, recruiting, advertising, and promotional activities; (4) developing and maintaining website(s) for the Franchise System; (5) administering online marketing, recruiting, advertising, and promotional campaigns (including search engine, social media, email, and display ad campaigns); and (6) developing and maintaining application software designed to run on computers and similar devices, including tablets, smartphones and other mobile devices, as well as any evolutions or "next generations" of any such devices. We determine the use of the funds contributed to the Brand Marketing Fund, including allocating a portion of any Brand Marketing Fund contributions to any national, regional, multi-regional, or local marketing, recruiting, advertising, and promotional programs we may establish in the future. We are not required to spend any particular amount on marketing, recruiting, advertising or promotion in the area in which your Studio will be located. In addition, we are not required to ensure that Brand Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Brand Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of marketing, recruiting, advertising, or promotional materials directly or in proportion to its Brand Marketing Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Marketing Fund. Except as specifically provided in this Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Brand Marketing Fund.

We account for the Brand Marketing Fund separately from our other funds and do not use the Brand Marketing Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Marketing Fund and its programs, including conducting market research, preparing marketing, recruiting, advertising, and promotional materials, and collecting and accounting for Brand Marketing Fund contributions. The Brand Marketing Fund may spend in any fiscal year more or less than the total Brand Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. If we terminate the Brand Marketing Fund, we will spend all unspent amounts on marketing activities specified by this Section 9.D.

We prepare annual unaudited statement of contributions and disbursements for the Brand Marketing Fund that are available to you upon written request one hundred and twenty (120) days after the end of the Brand Marketing Fund's fiscal year for the previous fiscal year. We are not required to audit the Brand Marketing Fund.

E. Marketing Cooperative.

We may designate a geographic area in which three (3) or more Studios are located as an area in which to establish a marketing cooperative ("**Marketing Cooperative**"). The Marketing Cooperative's members will include all Studios operating in the geographic area, including us and our affiliates, if applicable. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. We may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. We may designate, approve or develop standards and specifications for Marketing Cooperative suppliers. We will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration and determination of contribution levels. All Marketing Cooperatives will be governed by written documentation we designate or approve. Such documentation is available for Marketing Cooperative member review. We may form, modify, change, dissolve, or merge Marketing Cooperatives. We will not use funds contributed to a Marketing Cooperative to solicit new franchise sales.

F. Franchise System Website.

We may establish, acquire, or host any website(s) for recruitment purposes or to advertise, market, and promote Studios, the products and services that they offer and sell, and/or a Studio franchise opportunity (a "**Franchise System Website**"). We may (but are not required to) provide you with a webpage on a Franchise System Website that references your Studio. If we provide you with a webpage on a Franchise System Website, you must: (1) provide us the information and materials we request to develop, update, and modify your webpage; (2) notify us whenever any information on your webpage is not accurate; and (3) if we give you the right to modify your webpage, notify us whenever you change the content of your webpage and obtain our approval. We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and all information it contains (including the domain name, any associated email address, any website analytical data, and any personal or business data that visitors supply). If we provide you with a webpage on a Franchise System Website, we reserve the right to charge you a fee for such webpage as part of the Technology Fee. We periodically may update and modify any Franchise System Website (including your webpage).

Even if we provide you a webpage on a Franchise System Website, we will only maintain this webpage while you are in full compliance with this Agreement and all System Standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under this Agreement or our System Standards, then we may temporarily remove your webpage from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage from all Franchise System Websites upon this Agreement's expiration or termination.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions, which may include additional monthly fees.

Except as provided above, or as approved by us in writing or in the Operations Manual, you may not develop, maintain or authorize any Online Presence that mentions your Studio, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Studio, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

10. RECORDS, REPORTS, AND FINANCIAL STATEMENTS.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You must use the Computer System to maintain certain sales data, Client Information, and other information. You agree that we will, at all times, have access to your Computer System and that we have the right to collect and retain from the Computer System any and all data concerning your Studio. We may require that you hire a service-provider that we designate as your provider of accounting, payroll and/or bookkeeping services. If we designate a service-provider for accounting, payroll and/or bookkeeping services, you agree to cooperate with such service-provider and provide such service-provider with all information you would appropriately provide us under this Section 10.

Each month, you agree to generate, in the manner and format that we may prescribe from time to time, an income statement (including a standard chart of the accounts designated by us) for your Studio covering the most recently completed month. On our request, you agree to send us such statements. You also agree to give us in the manner and format that we prescribe from time to time:

(1) on or before the Royalty payment, a report on your Studio's Gross Receipts during the preceding calendar month (or week if we elect to collect Royalties on a weekly basis);

(2) within twenty-five (25) days after the end of each calendar month, the operating statements, financial statements, statistical reports and other information we request regarding your Studio covering the preceding month;

(3) within the time limits specified in the Operations Manual, such other periodic operating statements, financial statements, statistical reports and other information we request regarding you and your Studio;

(4) by March 30 of each year, annual profit and loss and source and use of funds statements and a balance sheet for your Studio as of the end of the prior calendar year prepared on an accrual basis, including all adjustments necessary for a fair presentation of your financial results; and

(5) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we may periodically require relating to you and your Studio.

One of your officers must certify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in materials that we circulate publicly.

Subject to applicable law, you agree to preserve and maintain all records in a secure location at your Studio for at least three (3) years (including sales checks, purchase orders, invoices, payroll records, check stubs, sales tax records and returns, cash receipts journals, cash disbursement journals, and general ledgers). We may require you to have audited financial statements prepared annually during the term of this Agreement.

11. INSPECTIONS AND AUDITS.

A. Our Right to Inspect Your Studio.

To determine whether you and your Studio are complying with this Agreement and all System Standards, we and our designated agents or representatives may at all times and without prior notice to you, but in all cases subject to client privacy: (1) inspect your Studio; (2) photograph your Studio and observe and videotape your Studio's operation for consecutive or intermittent periods we deem necessary; (3) continuously or periodically monitor your Studio using electronic surveillance or other means; (4) remove samples of any products and supplies; (5) interview your Studio's personnel and clients; (6)

inspect your Computer System, including hardware, software, security, configurations, connectivity, and data access; and (7) inspect and copy any books, records, and documents relating to your Studio's operation. We may designate certain books, records, and documents which must be available for on-site inspection. Additionally, we may contract with third parties to conduct mystery-shopper, client-survey, or other market-research testing, and quality-assurance inspections at your Studio. You agree to cooperate with us fully during these inspections and tests. If we exercise any of these rights, we will not interfere unreasonably with your Studio's operation.

B. Our Right to Audit.

We may at any time during your business hours, and without prior notice to you, examine all of your and your Studio's business, bookkeeping, and accounting records, sales and income tax records and returns, and any other records necessary to complete an audit, and we may require that you send us copies of such records. You agree to cooperate fully with our representatives and independent accountants in any examination. If any examination discloses an understatement of your Studio's Gross Receipts, you agree to pay us the Royalty, Brand Marketing Fund contribution, and any other fees understated, plus interest on the understated amounts from the date originally due until the date of payment, within fifteen (15) days after receiving the examination report. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Receipts exceeding two percent (2%) of the amount that you actually reported to us for the period examined, you agree to reimburse us for the costs of the examination, including the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER.

A. By Us.

We may change our ownership or form of organization and/or assign this Agreement and any other agreement to a third party without restriction. After our assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, we no longer will have any obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest in it.

B. By You.

You acknowledge that the rights and duties this Agreement creates are personal to you and your owners and that we have granted you the franchise in reliance on our perception of your and your owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, without our prior written approval, you may not transfer any of the following, or attempt to transfer any of the following, including by listing any of the following for sale on any directory or listing: (i) this Agreement (or any interest in this Agreement); (ii) your Studio (or any right to receive all or a portion of your Studio's profits or losses or capital appreciation related to your Studio); (iii) substantially all of the assets of your Studio; or (iv) any direct or indirect ownership interest in you (regardless of its size) if you are an Entity. A transfer of your Studio's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term "**transfer**" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, foreclosure, surrender or by operation of law.

Additionally, you may not pledge or encumber this Agreement, your Studio or an ownership interest in you or your owners (to someone other than us) as security for any loan or other financing, unless (1) we grant our prior written consent and (2) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

If you intend to list your Studio for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any Mark in advertising the transfer or other disposition of your Studio or of any ownership in you without our prior written consent. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Studio or of any ownership interest in you without our prior written approval of such materials.

C. Conditions for Approval of Transfer.

You may not transfer this Agreement before your Studio has opened for business. Thereafter, subject to the other provisions of this Section 12, we will approve a transfer that meets all of the following conditions before or concurrently with the effective date of the transfer:

(1) you submit an application in writing requesting our consent and providing us all information or documents we request about the transferee and its owners to allow us to evaluate their ability to satisfy their respective obligations under our then-current form of franchise agreement and any documents ancillary thereto, and each such person must have completed and satisfied all of our application and certification requirements, including the criteria that neither the transferee nor its owners (if the transferee is an entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business. At the time you sign a conditional consent to transfer, you must pay us, by wire transfer, a deposit of $5,000 ("**Fee Deposit**"). We will refund you the Fee Deposit, less any amounts which may be due under this Agreement, within thirty (30) days following the effective date of the transfer or the date on which you and the transferee have complied with all terms set forth in any applicable consent to transfer that we and you sign in connection with the transfer, whichever is later;

(2) you have provided us executed versions of any documents executed by you (or your owners) and the transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including criteria for terms and conditions, closing date, purchase price, amount of debt and payment terms;

(3) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a general release of any and all claims against us and our affiliates and our and their owners, officers, directors, employees, and agents, (ii) a covenant that you and your transferring owners (and your and their immediate family members) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities

proscribed in Section 15.F. below, and (iii) covenants that you and your transferring owners satisfy all other post-termination obligations under this Agreement;

(4) you have paid all Royalties, Brand Marketing Fund contributions, and other amounts owed to us, our affiliates, and third-party vendors, and have submitted all required reports and statements;

(5) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(6) the transferee (or its operating partner) and any other manager and/or assistant manager we designate (including any applicable designated manager), satisfactorily complete our then-current Training Program;

(7) if the proposed transfer (including any assignment of the Lease or subleasing of the Premises) requires notice to or approval from your landlord, or any other action under the terms of the Lease, you have taken such appropriate action and delivered us evidence of the same;

(8) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or one of your owners), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Brand Marketing Fund contribution; provided, however, that the term of the new franchise agreement signed will equal the remainder of the then-remaining term of this Agreement;

(9) you pay us a transfer fee equal to fifty percent (50%) of our then-current initial franchise fee for new franchises, unless the transfer is of a non-controlling ownership interest in you (if you are an entity), in which case you must only reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees;

(10) we have determined that the purchase price and payment terms will not adversely affect the transferee's operation of your Studio;

(11) if you or your owners finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in your Studio are subordinate to the transferee's obligation to pay Royalties, Brand Marketing Fund contributions, and other amounts due to us, our affiliates, and third-party vendors related to the operation of your Studio and otherwise to comply with this Agreement;

(12) you have corrected any existing deficiencies of your Studio of which we have notified you, and/or the transferee agrees to upgrade, remodel, and refurbish your Studio in accordance with our then-current requirements and specifications for Studios within the time period we specify following the effective date of the transfer (we will

advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken); and

(13) you provide us the evidence we reasonably request to show that appropriate measures have been taken to effectuate the transfer as it relates to the operation of your Studio, including, by transferring all necessary and appropriate business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements.

We may review all information regarding your Studio that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Studio.

Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Studio's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

D. Transfer to a Wholly Owned Entity.

Notwithstanding Section 12.C. above, if you are in full compliance with this Agreement, you may transfer this Agreement to an Entity 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 (1) that Entity will own all of your Studio's assets, and will conduct all of your Studio's business, (2) that Entity will conduct no business other than your Studio and, if applicable, other Studios, and (iii) you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such 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 and assignment 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.

E. Our Right of First Refusal.

If you (or any of your owners) at any time decide to sell an interest in this Agreement, your Studio, substantially all the assets of your Studio, or an ownership interest in you or one of your owners (except to or among the current owners of such Entity), you (or your owners) agree to obtain a bona fide executed written offer, relating exclusively to the transfer of this Agreement, your Studio, substantially all the assets of your Studio, or the ownership interest in you or one of your owners (as applicable), from a responsible and fully disclosed buyer and send to us a true and complete copy of that written offer. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent (5%) or more of the offering price.

We may also require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction. We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that:

(1) we notify you or your selling owner(s) that we intend to purchase the interest or within thirty (30) days after we receive a copy of the offer and all other information we request;

(2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately held entity);

(3) our credit will be deemed equal to the credit of any proposed buyer (meaning that, if the proposed consideration includes promissory notes, we or our designee may provide promissory notes with the same terms as those offered by the proposed buyer);

(4) we will have an additional thirty (30) days to prepare for closing after notifying you of our election to purchase; and

(5) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in an Entity, as applicable, including representations and warranties regarding: (a) ownership and condition of and title to ownership interests and/or assets; (b) liens and encumbrances relating to ownership interests and/or assets; and (c) validity of contracts and the liabilities, contingent or otherwise, of the entity whose assets or ownership interests are being purchased.

We have the unrestricted right to assign this right of first refusal to a third party, who then will have the rights described in this Section 12.E.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 12.B. and 12.C. above, and if you (and your owners) and the transferee comply with the conditions in Sections 12.B. and 12.C. above. Notwithstanding anything in this Section to the contrary, the right of first refusal process will not be triggered by a proposed transfer that would not be allowed under Sections 12.B. and 12.C. above.

If you do not complete the sale to the proposed buyer within sixty (60) days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to notify us of promptly), we or our designee will have an additional right of first refusal. We or our designee must exercise this additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or our receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at our or our designee's option.

F. Your Death or Disability.

On the death or disability of you, your Operating Partner or any owner with a controlling ownership interest in you (a "**Controlling Owner**"), your or the Operating Partner's or such Controlling Owner's executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Operating Partner's or Controlling Owner's ownership interest in you, to a third party (which may be your or the Operating Partner's or Controlling Owner's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed nine (9) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12 (except that any transferee that is the spouse or immediate family member of you or your Operating Partner or such Controlling Owner, shall not have to pay the Fee Deposit described in Section 12.C.a or the transfer fee described in Section 12.C.i if the transfer meets all the other conditions in Section 12.C.; provided, that the transferee reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees). A failure to transfer your interest in this Agreement or the Operating Partner's or such Controlling Owner's ownership interest in you within this time period is a breach of this Agreement.

The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Partner or such Controlling Owner from supervising the management and operation of your Studio. If your Studio is not being managed by an approved Designated Manager at the time of your or your Operating Partner's death or disability, your or the Operating Partner's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a Designated Manager in accordance with the terms and conditions of Section 8.H. A new Operating Partner acceptable to us also must be appointed for your Studio within sixty (60) days. If your Studio is not being managed properly at any time after your or the Operating Partner's death or disability, in our sole judgment, we may, but need not, assume your Studio's management (or appoint a third party to assume its management) in accordance with Section 14.C.

13. EXPIRATION OF THIS AGREEMENT.

A. Your Right to Acquire a Successor Franchise.

Upon expiration of this Agreement, you will have the option to acquire a successor franchise to operate your Studio for one (1) additional term of ten (10) years, if you meet the following conditions:

(1) you (and each of your owners) have substantially complied with this Agreement during its term;

(2) you (and each of your owners) are, both on the date you give us written notice of your election to acquire a successor franchise (as provided in Section 13.B. below) and on the date on which the term of the successor franchise would commence, in full compliance with this Agreement and all System Standards;

(3) you maintain possession of and agree to remodel and/or expand your Studio, add or replace improvements and Operating Assets, and otherwise modify your Studio as we require to comply with System Standards then-applicable for new Studios, or, at your option, you secure substitute premises that we approve and you develop those premises according to System Standards then-applicable for Studios;

(4) you sign the franchise agreement we then use to grant franchises for Studios (modified as necessary to reflect the fact that it is for a successor franchise), which may contain provisions that differ materially from those contained in this Agreement;

(5) you and your owners agree to sign, in a form satisfactory to us, guarantees and general releases of any and all claims against us and our shareholders, officers, directors, employees, agents, successors, and assigns; and

(6) you pay a successor franchise fee equal to $10,000, in the form of a lump sum payment, by wire transfer.

If you (and your owners) fail to meet the conditions set forth in this Section, you acknowledge that we need not grant you a successor franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14.B.

B. Grant of a Successor Franchise.

You agree to give us written notice ("**Your Notice**") of your election to acquire a successor franchise no more than one (1) year and no less than one hundred eighty (180) days before this Agreement expires. We agree to give you written notice ("**Our Notice**") of our decision to grant or not to grant you a successor franchise not more than six (6) months after we receive Your Notice. If applicable, Our Notice will describe the remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Studio into compliance with then-applicable System Standards for new Studios and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies.

If Our Notice states that you must remodel your Studio and/or must cure certain deficiencies of your Studio or its operation as a condition to our granting you a successor franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we will give you written notice of our decision not to grant a successor franchise, not less than ninety (90) days before this Agreement expires; provided, that we need not give you ninety (90) days' notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the ninety (90) day period before it expires. We may extend this Agreement's term for the time period necessary to give you either reasonable time to correct deficiencies or the ninety (90) days' notice of our refusal to grant a successor franchise. If you fail to notify us of your election to acquire a successor franchise within the prescribed time period, we need not grant you a successor franchise.

14. TERMINATION OF AGREEMENT.

A. Termination by You.

You may terminate this Agreement if you are in full compliance with this Agreement and we materially fail to comply with this Agreement, and (1) we fail correct the failure within thirty (30) days after you deliver written notice of the material failure to us, or (2) if we cannot correct the failure within thirty (30) days, we fail to give you within thirty (30) days after your notice reasonable evidence of our effort to correct the failure within a reasonable time. Your termination under this Section will be effective thirty (30) days after you deliver to us the written notice of termination.

If you terminate this Agreement other than according to this Section 14.A., the termination will be deemed a termination without cause and a breach of this Agreement.

B. Termination by Us.

We may terminate this Agreement, effective on delivery of written notice of termination to you, if:

(1) you (or any of your owners) have made or make any material misrepresentation or omission in acquiring the franchise or operating your Studio;

(2) you do not obtain our approval of your Lease or deliver us a fully executed copy of the Lease and Lease Rider, in each case by the deadlines set forth in 2.B.;

(3) you do not comply with the conditions specified in Section 2.H., and open your Studio for full use by clients by the deadline specified in Section 2.H.;

(4) you (or your Operating Partner) and your Designated Manager (if applicable) do not satisfactorily complete the Training Program in accordance with Section 4.A.;

(5) without our prior consent, you abandon or fail to actively operate your Studio for more than two (2) consecutive days, or fourteen (14) days during any twelve-month period, or provide us or any other party notice (written or oral) that you intend to permanently close or otherwise abandon the operation of your Studio;

(6) you (or your owners) make or attempt to make any transfer in violation of Section 12;

(7) you (or any of your owners) are or have been convicted of, or pleaded guilty or no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that, in our sole judgment, is reasonably likely to harm or unfavorably affect the Marks, the Franchise System, or their associated goodwill and reputation;

(8) you fail to maintain the insurance we require and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(9) you (or any of your owners) engage in any dishonest or unethical conduct which, in our opinion, adversely affects your Studio's reputation or the goodwill associated with the Marks;

(10) you lose the right to occupy the Premises whether or not through any fault of yours;

(11) you (or any of your owners) knowingly or negligently make any unauthorized use or disclosure of any Confidential Information;

(12) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate your Studio in an unsafe manner, and do not begin to cure the violation immediately, and correct the violation within seventy-two (72) hours after you receive notice from us or any other party, regardless of any longer period of time that any governmental authority or agency may have given you to cure such violation;

(13) you create or allow to exist any condition in connection with your operation of your Studio that we reasonably determine to present an immediate health or safety concerns for your Studio's clients or employees;

(14) you violate any other applicable law, regulation, ordinance or consent decree, or fail to maintain any bond, license or permit, and do not cure such violation or failure within ten (10) days after we or any applicable government agency deliver notice to you of that violation or failure;

(15) you fail to pay us (or our affiliates) any amounts due and do not correct the failure within ten (10) days after we deliver written notice of that failure to you;

(16) you fail to pay when due any federal or state income, service, sales, employment or other taxes due on your Studio's operation, unless you are in good faith contesting your liability for these taxes;

(17) you have insufficient funds in your designated account to cover your payments owed for Royalties, Brand Marketing Fund contributions and other amounts due on three (3) separate occasions within a twelve (12) month period;

(18) you intentionally underreport your Studio's Gross Receipts by any amount or negligently underreport your Studio's Gross Receipts by five percent (5%) or more during any reporting period;

(19) you (or any of your owners) (a) fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(20) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your Studio is attached, seized, subjected to a writ or distress warrant, or levied on, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of you or your Studio is not vacated within thirty (30) days following the order's entry;

(21) your or any of your owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation;

(22) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within thirty (30) days after we deliver written notice of the failure to you;

(23) there is a termination of any other franchise agreement, area development agreement, area director agreement, or master franchise agreement between you (or any of your owners) or your affiliates and us or any of our affiliates;

(24) you fail to perform background checks for all employees you hire and update the background checks pursuant to Section 8.I. and as specified in the Operations Manual;

(25) you fail to ensure that all your massage therapists are properly licensed (if required in your jurisdiction) pursuant to Section 8.I. and as specified in the Operations Manual;

(26) you fail to report incidents at your Studio which could negatively impact the goodwill of the "Elements Massage" brand as specified in the Operations Manual; or

(27) you fail to pay when due any third-party supplier, including landlords or lenders, and do not cure such failure within the applicable cure period.

C. Assumption of Management.

If: (1) you abandon or fail actively to operate your Studio; (2) you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you; or (3) this Agreement is terminated and we are deciding whether to exercise our option to purchase your Studio under Section 15.E.:

(a) we have the right (but not the obligation): (i) to enter the Premises to make any modifications we deem necessary to protect the Operating Assets; (ii) to remove any equipment, signage, or other materials featuring the Marks; (iii) to cure any defaults under the Lease; and (iv) to assume all of your rights under the Lease; and/or

(b) we have the right (but not the obligation) to enter the Premises and assume your Studio's management for any period of time we deem appropriate.

We may assign our rights under this Section 14.C. to any person or entity without your consent.

All funds from your Studio's operation while it is under our (or the third party's) management will be kept in a separate account, and all expenses will be charged to this account. If we (or a third party) assume your Studio's management, you agree to pay us (in addition to the Royalty, Brand Marketing Fund contributions, and other amounts due to us or our affiliates) our then-current monthly management fee (currently, $7,500 per month), plus our (or the third party's) direct out-of-pocket costs and expenses.

If we (or a third party) assume your Studio's management, you acknowledge that we (or the third party) will have a duty to use only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any supplies, products, or other assets or services your Studio purchases, while we (or the third party) manage it.

Our decision to assume management of your Studio (or to appoint a third party to assume management of your Studio) will not affect our right to terminate this Agreement under Section 14.B.

15. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.

A. Payment of Amounts Owed to Us.

You agree to pay us the Royalties, Brand Marketing Fund contributions, interest, and all other amounts owed to us (and our affiliates), which accrued prior to termination or expiration, within fifteen (15) days after this Agreement expires or is terminated, or on any later date that we determine, calculated as of the date of payment. You acknowledge that termination or expiration of this Agreement does not affect your liability for amounts you (or your owners or affiliates) owe any third-parties or creditors and we do not assume any such liabilities.

B. Liquidated Damages.

If this Agreement is terminated because of your default or if you terminate this Agreement without cause before its expiration, you and we agree that it would be difficult if not impossible to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, Brand Marketing Fund contributions, and Marketing Cooperative contributions, less any cost savings, through the remainder of the term of this Agreement (the "**Liquidated Damages**"). Liquidated Damages will be equal to the combined monthly average of Royalties, Brand Marketing Fund contributions, and any other fees under this Agreement (without regard to any fee waivers, or other reductions) payable during the thirty-six (36) months preceding the date of early termination, multiplied by the lesser of (i) thirty-six (36) or (ii) the number of full months remaining in the term. The present value of the total calculated at a discount rate of 8%, assuming payment at the end of each month, will be our Liquidated Damages. You and we agree that the calculation described in this Section 15.B. is a calculation only of the Liquidated Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement.

C. Marks.

Upon termination or expiration of this Agreement, you and your owners must immediately:

(1) close the Studio for business to clients and cease to directly or indirectly sell any products and services of any kind and in any manner from the Studio and/or using the Marks, unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 15.E.;

(2) cease to directly or indirectly use any Mark, any colorable imitation of a Mark, any other indicia of a Studio, or any trade name, trademark, service mark, or other commercial symbol that indicates or suggests a connection or association with us, in any manner or for any purpose;

(3) cease to directly or indirectly identify yourself or your business as a current or former Studio or as one of our current or former franchise owners (except in connection with other Studios you operate in compliance with the terms of a valid franchise agreement with us) and take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) if we do not exercise our right to purchase your Studio, promptly and at your own expense, remove all materials bearing the Marks and remove from both the interior and exterior of the Premises all materials and components of our trade dress as we determine to be necessary to avoid any association between the Premises and our System or that would, in any way, indicate that the Premises are or were associated with our brand or System;

(5) cease using and, at our direction, either disable or instruct the registrar of any Contact Identifiers or Online Presence to transfer exclusive control and access of such Contact

Identifiers and Online Presence to us or our designee in accordance with our instructions; and

(6) comply with all other System Standards we establish from time to time (and all applicable laws) in connection with the closure and de-identification of the Studio.

If you fail to take any of the actions (or refrain from taking any of the actions) described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Studio. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies.

D. Confidential and Personal Information.

You agree that when this Agreement expires or is terminated you will immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other Confidential Information that we have loaned you. You also agree to comply with all of our directions for returning or disposing of Personal Information, in any form, in your possession or the possession of any of your employees. We may require you to certify in writing that you have returned or securely disposed of all Personal Information.

E. Our Right to Purchase Your Studio.

We have the option to purchase your Studio and the Premises (if you or one of your affiliates owns the Premises) upon the occurrence of a Termination Event (as defined below). We may exercise this option by giving you written notice within thirty (30) days after the date of the Termination Event. We have the unrestricted right to assign this option to purchase. If we purchase your Studio and/or the Premises, we are entitled to all customary warranties and representations in our asset purchase, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

If you lease the Premises from an unaffiliated lessor, or if we choose not to purchase the Premises from you (or one of your affiliates), you agree, at our election to (1) assign your Lease to us or our assignee, (2) enter into a sublease with us or our assignee for the remainder of the Lease term on the same terms (including renewal options) as the Lease, or (3) lease the Premises to us or our assignee for an initial term of five (5) years with, at our option, up to three (3) additional terms of five (5) years each, on commercially reasonable terms.

We (or our assignee) will pay the purchase price (calculated as described below) for your Studio and/or Premises at the closing, which will take place not later than sixty (60) days after the purchase price is determined, although we (or our assignee) may decide after the purchase price is determined not to purchase your Studio and/or the Premises. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates. At the closing, you agree to deliver instruments transferring to us (or our assignee):

(1) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;

(2) all of your Studio's licenses and permits which may be assigned or transferred; and

(3) the ownership interest or leasehold interest (as applicable) in the Premises and improvements or a lease assignment or lease or sublease, as applicable.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our owners, officers, managers, employees, agents, successors and assigns.

A "**Termination Event**" occurs if, (i) you terminate this Agreement (other than in accordance with Section 14.A.), (ii) we terminate this Agreement for any reason, or (iii) the term of this Agreement (including any successor term) expires.

If we purchase your Studio upon a Termination Event, the purchase price for your Studio and the Premises will be their reasonable fair market value at the time of the Termination Event, provided that these items will not include any value for the rights granted by this Agreement, any goodwill attributable to our Marks, brand image, and other intellectual property, or any participation in the network of Studios. We may exclude from the assets purchased any Operating Assets and supplies that are not reasonably necessary (in function or quality) to your Studio's operation or that we have not approved as meeting System Standards, and the purchase price will reflect these exclusions.

If we and you cannot agree on a fair market value, the fair market value will be determined by one (1) independent accredited appraiser selected by us who will conduct an appraisal and, in doing so, be bound by the criteria for the purchase price described above. You and we will share equally the appraisers' fees and expenses. The appraiser must complete its appraisal within thirty (30) days after its appointment.

F. Covenant Not to Compete.

Upon termination, transfer, or expiration of this Agreement for any reason, you and your owners and guarantors agree that, for two (2) years beginning on the effective date of termination or expiration, neither you nor any of your owners (or their immediate family members) will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating at the Premises or within a three (3) mile radius of the Premises or any other Studio then in existence or under construction.

If any person restricted by this Section 15.F. fails to comply with these obligations as of the date of termination or expiration, the two (2) year restricted period for that person will commence on the date the person begins to comply with this Section 15.F., which may be the date a court order is entered enforcing this provision.

You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section 15.F. will not deprive you of your personal goodwill or ability to earn a living.

G. Non-Solicitation and Non-Interference.

On termination or expiration of this Agreement for any reason, you and your owners agree that, for two (2) years beginning on the effective date of termination or expiration or the date on which all persons restricted by this Section 15.G. begin to comply with this Section 15.G., whichever is later, neither you nor any of your owners or guarantors (or their immediate family members) will: (1) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any clients, vendors, consultants, or other franchisees; or (2) engage in any other activity that might injure the goodwill of the Marks and/or the Franchise System.

H. Obligations Regarding Clients.

You acknowledge that, as between you and us, we have the sole right to, and interest in, the Client Information. Accordingly, upon expiration or termination of this Agreement for any reason, we or our designee may, but are not obligated to, contact clients of your Studio and offer such clients continued rights to use one or more Studios on such terms and conditions we deem appropriate, which in no event will include assumption of any then-existing liability arising out of or relating to any Membership Agreement or act or failure to act by you or arising from the operation of your Studio. If, upon expiration or termination of this Agreement, clients of your Studio are legally entitled to full or partial refund of any monies paid to you, you will refund such monies promptly and in full and will cooperate with us to preserve client goodwill with such clients.

I. Continuing Obligations.

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination 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.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.

A. Independent Contractors.

You and we understand and agree that each of us is an independent business and that you and we are and will be independent contractors. This Agreement does not create a fiduciary relationship between you and us, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously to all persons (including clients, suppliers, public officials, and your Studio employees) as your Studio's owner, and indicate clearly that you operate your Studio separately and independently from our business operations. You agree to place notices of independent ownership on all interior and exterior signage, forms, business cards, stationery, advertising, and other materials that we may require from time to time. You may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in our name or on our behalf or represent that your and our relationship is anything other than franchisor and franchise owner.

We have no right or duty to supervise, manage, control or direct your employees in the course of their employment for you. You are solely responsible for all terms and conditions of employment of your employees.

B. No Liability for Acts of Other Party.

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of your Studio's operation or the business you conduct under this Agreement.

If any party fails to perform any obligation under this Agreement due to a cause beyond the control of and without the negligence of such party (and not related to the availability of funds to such party), such failure will not be deemed a breach of this Agreement, provided such party uses reasonable best efforts to perform such obligations as soon as possible under the circumstances. Such causes include strikes, wars, riots, civil commotion, and acts of government, except as may be specifically provided for elsewhere in this Agreement.

C. Taxes.

We will have no liability for any sales, use, service, occupation, excise, gross revenue, income, property, or other taxes, whether levied on you or your Studio, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we must pay to any state taxing authority on account of either your operation or payments that you make to us (except for our income taxes).

D. Indemnification.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Studio's operation, the business you conduct under this Agreement, or your breach of this Agreement, including claims or damages alleged to have been caused by the Indemnified Party's gross negligence or willful misconduct, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction.

For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions.

This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim for indemnity under this Section 16.D. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover under this Section 16.D.

17. ENFORCEMENT.

A. Security Interest.

As security for the performance of your obligations under this Agreement, including payments owed to us or our affiliates, you shall grant us a security interest in all of the furniture, fixtures, equipment, signage, and realty (including your interests under all real property and personal property leases) of your Studio, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds, and products thereof (including cash derived from the operation of your Studio), wherever located, used in connection with your Studio. You agree to execute such other documents as we may reasonably request in order to further document, perfect, and record our security interest. If you default in any of your obligations under this Agreement, we may exercise all rights of a secured creditor granted to us by law, in addition to our other rights under this Agreement and at law. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the records of any county and/or state that we deem appropriate to protect our interests. If a third-party lender requests that we subordinate our security interest in the assets of your Studio as a condition to issuing a loan to you, we will agree to do so in accordance with our then-current form of subordination agreement.

B. Severability and Substitution of Valid Provisions.

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if any part of this Agreement is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation for any reason (in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction), that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the judge or arbitrator has the power and authority to modify the covenant such that it will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity.

If any applicable and binding law or rule of any jurisdiction requires more notice of this Agreement’s termination or of our refusal to enter into a successor franchise agreement, than this Agreement requires, or some other action that this Agreement does not require, or any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

C. Waiver of Obligations.

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction on the other under this Agreement, effective on delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective on delivery of ten (10) days' prior written notice.

We and you will not waive or impair any right, power, or option this Agreement reserves (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist on the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Studios; the existence of franchise agreements for other Studios which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (2) acts of God; (3) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalties or Brand Marketing Fund contributions due afterward.

D. Costs and Attorneys' Fees.

The prevailing party in any arbitration or litigation shall be entitled to recover from the other party all costs and expenses, including arbitration and court costs, witness fees, and reasonable attorneys' fees, incurred by the prevailing party in connection with such arbitration or litigation. In addition, if you withhold amounts owed to us and we pursue collection of such amounts, you must pay to us all of our costs and expenses, including arbitration and court costs, attorneys' fees, the value of our employees' time, witness fees and travel expenses in connection with our collection efforts.

E. Rights of Parties Are Cumulative.

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

F. Arbitration.

Except for injunctive relief and actions for amounts that you owe us, we and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (2) our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted to binding arbitration, on demand of either party, to the American Arbitration Association ("**AAA**"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our then-current principal place of business (currently, Englewood, Colorado). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). 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.

The arbitrator must have a minimum of five (5) years' experience in franchising or distribution law. The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including 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). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

We and you agree that arbitration will be conducted on an individual basis and that an arbitration proceeding between us and any of our affiliates, or our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (or your owners, guarantors, affiliates, and employees), on the other hand, may not be: (i) conducted on a class-wide basis, (ii) commenced, conducted or consolidated with any other arbitration proceeding, (iii) joined with any separate claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be allowed, unless the parties mutually agree to their use.

With respect to any discovery of electronically stored information, you and we agree that such requests must balance the need for production of electronically stored information relevant and material to the outcome of a disputed issue against the cost of locating and producing such information. You and we agree that:

(1) production of electronically stored information need only be from sources used in the ordinary course of business. No party shall be required to search for or produce information from back-up servers, tapes, or other media;

(2) the production of electronically stored information shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the information and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(3) the description of custodians from whom electronically stored information may be collected shall be narrowly tailored to include only those individuals whose electronically stored information may reasonably be expected to contain evidence that is relevant and material to the outcome of a disputed issue;

(4) the parties shall attempt to agree in advance upon, and the arbitrator may determine, reasonable search parameters; and

(5) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, which cost advance will not be awarded to the prevailing party in any final award.

In any arbitration each side may take no more than three depositions, unless the parties mutually agree to additional depositions. Each side's depositions are to consume no more than a total of fifteen (15) hours, and each deposition shall be limited to five (5) hours, unless the parties mutually agree to additional time.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

G. Governing Law.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO) WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF

FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION.

H. Consent to Jurisdiction.

SUBJECT TO SECTION 17.F. ABOVE AND THE PROVISIONS BELOW, WE AND YOU (AND YOUR OWNERS) AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED IN THE STATE OR FEDERAL COURT CLOSEST TO OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, ENGLEWOOD, COLORADO), AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, WE AND YOU (AND YOUR OWNERS) AGREE THAT ANY OF US MAY ENFORCE ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR YOUR STUDIO IS LOCATED.

I. Waiver of Punitive Damages and Jury Trial.

EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD-PARTY CLAIMS UNDER SECTION 16.D., WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING, BROUGHT BY EITHER OF US.

J. Injunctive Relief.

Nothing in this Agreement, including the provisions of Section 17.F., bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

K. Binding Effect.

This Agreement is binding on us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Operations Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly authorized officers.

L. Limitations of Claims and Class Action Bar.

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS, REIMBURSEMENTS, AND OTHER PAYMENTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS.

WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

M. Construction.

The preambles and exhibits are a part of this Agreement which constitutes our and your entire agreement, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Studio. Any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as expressly provided in this Agreement, nothing in this Agreement is intended or deemed to confer any rights or remedies on any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal. The term "**affiliate**" means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling you or us. The term "**control**" means the power to direct or cause the direction of management and policies. The use of the term "**including**" in this Agreement, means in each case "including, without limitation".

If two or more persons are at any time the owners of your Studio, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several. References to "**owner**" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you (or a transferee of this Agreement and your Studio or an ownership interest in you), including any person who has a direct or indirect interest in you (or a transferee), this Agreement or your Studio and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

References to a "**controlling ownership interest**" in you or one of your owners (if an Entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in you or one of your owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer).

The term "**person**" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

The term "**your Studio**" includes all of the assets of the Studio you operate under this Agreement, including its revenue and the Lease.

18. DELEGATION OF PERFORMANCE.

You agree that we have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

19. NOTICES AND PAYMENTS.

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Operations Manual will be deemed to be delivered:

(1) at the time delivered by hand;

(2) at the time delivered electronically or by e-mail and, in the case of the Royalty, Brand Marketing Fund contributions, and other amounts due, at the time we actually receive payment via the Automatic Bank Draft Authorization;

(3) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next-business-day delivery; or

(4) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid.

Any notice must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

20. BUSINESS JUDGMENT.

We retain the right to operate, develop and change the Franchise System and the products and services offered by Studios in any manner that is not specifically prohibited in this Agreement. Whenever we have reserved the right in this Agreement to take or refrain from taking any action, or to prohibit you from taking or refraining from any action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information then readily available to us and on our judgment of what is in our best interests, the best interests of our affiliates and/or the best interests of Studios as a whole at the time the decision is made, regardless of whether we could have made other reasonable, or even arguably preferable, alternative decisions and regardless of whether our decision or action promotes our interests, those of our affiliates or any other person or entity.

21. EXECUTION

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement and all other documents related to this Agreement may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically, as if an original had been received.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement to be effective as of the Effective Date.

ELEMENTS THERAPEUTIC MASSAGE, LLC,
a Delaware limited liability company

Sign:_______________________________
Name:______________________________
Title:_______________________________

DATED*:___________________________
(*This is the Effective Date of this Agreement)

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
Entity Name

____
Signature

Name:______________________________

Title:_______________________________

DATED:_____________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
Signature

____
Print Name

DATED:_____________________________

EXHIBIT A

TO THE FRANCHISE AGREEMENT

You and Your Owners

1. **Form of Owner**.

You operate as a sole proprietorship: ___Yes ___ No

You operate as a ______ corporation, _____ limited liability company, or ______ partnership (CHECK ONE). You were formed on ______________________________________, under the laws of the State of __________________. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and (INSERT ANY ASSUMED NAME OR DBA THAT YOU HAVE USED). ___________

2. **Management**. The following is a list of your managers, directors, and officers, as applicable, as of the date of this Agreement:

Name	Position(s) Held
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

3. **Owners**. The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name	Percentage/Description of Interest
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

4. **Name and Address of Operating Partner**.

(a) Name:____

(b) Postal Address:______________________________________

____

(c) E-mail Address:______________________________________

(d) Telephone Number: ___________________________________

5. **Name and Address of Designated Manager (if applicable)**.

(a) Name:____

(b) Postal Address:______________________________________

____

(c) E-mail Address:______________________________________

(d) Telephone Number: ___________________________________

EXHIBIT B

TO THE FRANCHISE AGREEMENT

SEARCH TERRITORY / PREMISES, PROTECTED AREA & INITIAL FRANCHISE FEE

1. The Search Territory consists of: ____
____
____

2. The Premises of your Studio will be located at [*insert address*]:
____
____
____

3. The Protected Area shall be [*select one*]:

☐ The circular geographic area having a radius of one and one-half (1.5) miles and its center point located at the front door of the Premises (as described above in this Exhibit B); or

☐ The geographic area described below:

____
____
____

4. The Initial Franchise Fee shall be [*select one*]:

☐ $39,900; or

☐ ____________________(Section 4(a) shall apply by default if this line is blank)

EXHIBIT C

TO THE FRANCHISE AGREEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Elements Therapeutic Massage, LLC ("Franchisor") that the person(s) 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 an Elements Massage® 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:

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 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.	INITIAL:
I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan and New York) 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.	INITIAL:
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 or as indicated below (**write "None" if none provided**): ______________________________ ____ ____.	INITIAL:
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.	INITIAL:
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:

I have not 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 my success) except as contained in the FDD or as indicated below (**write "None" if none provided**): ______________________________ ____ ____.	INITIAL:

Sign here if you are taking the franchise as an **INDIVIDUAL(S)**
(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)

____
Signature

Print Name: ____________________________
Dated: ________________________________

____
Signature

Print Name: ____________________________
Dated: ________________________________

____
Signature

Print Name: ____________________________
Dated: ________________________________

____
Signature

Print Name: ____________________________
Dated: ________________________________

Sign here if you are taking the franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**

____
Print Name of Legal Entity

By: ___________________________________
Signature

Print Name: ____________________________
Title: _________________________________
Dated: ________________________________

NOTE TO MARYLAND RESIDENTS OR FRANCHISEES WITH A STUDIO LOCATED IN MARYLAND: This Representations and Acknowledgment Statement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT D

TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

This Confidentiality and Non-Solicitation Agreement (the "Agreement") is made and entered into as of this _________ day of ____________________, 20_______, by and among ____________________________ ("Employer") and _________________ ("Employee").

1. **RECITALS.**

A. Employer is a party to a franchise agreement (the "Franchise Agreement") with Elements Therapeutic Massage, LLC ("Franchisor"), under which Franchisor granted Employer certain rights with regard to an Elements Massage® studio located at the following address: __________________ (the "Studio");

B. Employer has hired Employee to perform services at Employer's Studio;

C. Before allowing Employee to have access to the Confidential Information and as a material term of the Franchise Agreement necessary to protect Franchisor's confidential know-how and distinctive systems, designs, décor, trade dress, specifications, standards, techniques and procedures authorized or required by Franchisor from time to time for use in the operation of Employer's Studio (the "Franchise System"), Employer requires that Employee enter into this Agreement; and

D. As a condition of employment or continued employment by Employer, Employee has agreed to enter into this Agreement.

2. **DEFINITIONS.**

Certain terms that are capitalized in this Agreement are defined in this section or at the places they first appear.

(a) The term "Client" as used in this Agreement means any individual who is or was a client of the Studio or the Franchise System at any time during the term of Employee's employment with the Employer.

(b) The term "Confidential Information" as used in this Agreement means (1) training and operations materials, including the operations manual; (2) the methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Studios; (3) market research, promotional, marketing and advertising strategies and programs for Studios; (4) strategic plans, including expansion strategies and targeted demographics; (5) knowledge of, specifications for and suppliers of, and methods of ordering, Studio assets and other products and supplies; (6) any computer software or similar technology which is proprietary to Franchisor or the Franchise System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of the Studio and other Studios; (8) information generated by, or used or developed in, the Studio's operation, including information relating to clients such as client names, addresses, telephone numbers, email addresses, buying habits, preferences, demographic information and related information, and any other information contained from time to time in the Studio's computer system

(“Client Information”); and (9) any other information designated as confidential or proprietary by Franchisor or Employer.

(c) The term “Services” as used in this Agreement means therapeutic massage services and other services and products that the Studio and the Franchise System may offer in the future.

3. **PROTECTION OF CONFIDENTIAL INFORMATION.**

Employee agrees to use the Confidential Information only to the extent reasonably necessary to perform his or her duties on behalf of Employer taking into consideration the confidential nature of the Confidential Information. Employee may disclose the Confidential Information only as an agent for Employer. Employee acknowledges and agrees that neither Employee nor any other person or entity will acquire any interest in or right to use the Confidential Information under this Agreement or otherwise other than the right to utilize it as authorized in this Agreement and that the unauthorized use or duplication of the Confidential Information, including, without limitation, in connection with any other business would be detrimental to Franchisor and Employer and would constitute a breach of Employee’s obligations of confidentiality and an unfair method of competition with Franchisor and/or other Studios owned by Employer or franchised by Franchisor.

Employee acknowledges and agrees that the Confidential Information is confidential to, and a valuable asset of, Franchisor. The Confidential Information will be disclosed to Employee solely on the condition that Employee agrees to the terms and conditions of this Agreement. Employee therefore agrees that during the term of the Franchise Agreement and thereafter, he or she: (a) will not use the Confidential Information in any other business or capacity; (b) will maintain the absolute confidentiality of the Confidential Information; (c) will not make unauthorized copies of any portion of the Confidential Information disclosed or in written form; and (d) will adopt and implement all reasonable procedures prescribed from time to time by Franchisor and Employer to prevent the unauthorized use or disclosure of or access to the Confidential Information.

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on Employee do not apply to (a) disclosure or use of information, methods, or techniques which are generally known and used in the industry (as long as the availability is not because of an unauthorized disclosure by Employee or Employee’s agents), provided that Employee has first given Franchisor written notice of his or her intended disclosure and/or use; and (b) disclosure of the Confidential Information in legal proceedings when Employee is legally required to disclose it, provided that Employee has first given Franchisor the opportunity to obtain an appropriate legal protective order or other assurance satisfactory to Franchisor that the information required to be disclosed will be treated confidentially.

Notwithstanding any provisions in this Agreement or Employer policy applicable to the unauthorized use or disclosure of trade secrets, you are hereby notified that, pursuant to the Defend Trade Secrets Act of 2016, 18 U.S.C. § 1833(b):

> **An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.**

Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

4. **NON-SOLICITATION.**

Employee agrees that during the term of Employee's employment with Employer and for a period of 1 year following the first to occur of: (a) termination or expiration without renewal of the Franchise Agreement; or (b) the date as of which Employee is no longer an employee of, or otherwise providing Services for, Employer (each of these events is referred to as a "Termination Event"), Employee shall not, directly or indirectly, on Employee's own behalf or on behalf of any other person, whether as owner, employee, agent, consultant or in any other capacity, solicit, induce or attempt to solicit or induce any Client to terminate or modify its use of the Services at Employer's Studio.

5. **SURRENDER OF DOCUMENTS.**

Employee agrees that as of the effective date of a Termination Event, Employee shall immediately cease to use the Confidential Information disclosed to or otherwise learned or acquired by Employee and return to Employer or to Franchisor (if directed by Franchisor) all copies of the Confidential Information loaned or made available to Employee.

6. **INJUNCTIVE RELIEF AND DAMAGES.**

Both parties recognize that the services to be rendered by Employee for Employer are special, unique and of an extraordinary character. Upon breach of this Agreement, Franchisor or Employer shall be entitled, if it/they so elects, to seek injunctive relief in any court of competent jurisdiction to enforce the covenants set forth herein. In addition to injunctive relief, Franchisor or Employer shall be entitled to seek such other and further relief, including the recovery of damages as may be permitted by law or in equity. Employee expressly acknowledges that he/she possesses other skills, experience, education and abilities of a general nature and has other opportunities for exploiting such other skills, experience, education and abilities to derive income from other endeavors. Consequently, enforcement of the covenants made in this Agreement is fair and reasonable, and will not deprive Employee of his/her personal goodwill or ability to earn a living, or otherwise impose any undue hardship on him/her. Employee further acknowledges and agrees that any violation of the covenants contained in this Agreement will result in irreparable harm to Employer, Franchisor, and its affiliates. If any covenant is held by any arbitrator or court of competent jurisdiction to be broader in time, scope, or subject matter than legally permitted, then the parties authorize the arbitrator or court to impose that covenant to the maximum lawful extent. Employer is permitted at any time to reduce the time, scope, or subject matter of any covenant to render it enforceable under applicable law.

7. **COSTS AND ATTORNEYS' FEES.**

In the event that Franchisor or Employer is required to enforce this Agreement in an action against Employee, Employee shall reimburse Franchisor and/or Employer if it/they prevail (whether or not awarded a money judgment) for its/their reasonable attorneys' fees, whether such fees are incurred before, during or after any trial or administrative proceeding or on appeal.

8. **WAIVER.**

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right or remedy at any other time or times.

9. **SEVERABILITY.**

Each section, paragraph, term and provision of this Agreement and any portion thereof shall be considered severable and if for any reason any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of or have any other effect upon such other portions of this Agreement as may remain otherwise intelligible. Such other portions shall continue to be given full force and effect and bind the parties hereto. Any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires if Employee is a party thereto or upon Employee's receipt of a notice from Franchisor that it will not enforce the section, paragraph, term or provision in question.

10. **RIGHTS OF PARTIES ARE CUMULATIVE.**

The rights of the parties hereunder are cumulative and no exercise or enforcement by a party hereto of any right or remedy granted hereunder shall preclude the exercise or enforcement by them of any other right or remedy hereunder or which they are entitled by law to enforce.

11. **BENEFIT.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Franchisor shall be deemed a third-party beneficiary of this Agreement and shall have the right to enforce this Agreement directly.

12. **GOVERNING LAW.**

This Agreement and the relationship between the parties hereto shall be construed and governed in accordance with the internal laws of the State of Colorado without regard to its conflict of laws principles.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple counterparts as of the day and year first above written.

EMPLOYER:

If a Legal Entity:

[Name of Employer]

Signature:____
Name:____
Title:____

If an Individual:

____
[Name]

EMPLOYEE:

____
[Name]

EXHIBIT E

TO THE FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("Guaranty") is given on ______ ____________________, by ______________________________(the "Guarantor").

In consideration of, and as an inducement to the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by Elements Therapeutic Massage, LLC (the "Franchisor"), and ____ ("Franchisee"), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right he or she may have to require that an action be brought against Franchisee or any other person as a condition of liability.

Each Guarantor hereby consents and agrees that:

(a) his or her liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other owners of Franchisee;

(b) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable during the term of the Agreement;

(c) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(d) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee. Neither Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(e) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed;

(f) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor; and

(g) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement.

Guarantor agrees to be personally bound by the arbitration obligations under Section 17.F. of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 17.F. of the Agreement in accordance with its terms.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor's spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

[Signature page follows]

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

GUARANTOR(S):

Signature:______________________	Signature:______________________
Print Name:_____________________	Print Name:_____________________
Signature:______________________	Signature:______________________
Print Name:_____________________	Print Name:_____________________

The undersigned, as the spouse of the Guarantor 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
______________________ Name of Guarantor's Spouse	______________________ Name of Guarantor's Spouse
______________________ Signature of Guarantor's Spouse	______________________ Signature of Guarantor's Spouse
______________________ Name of Guarantor	______________________ Name of Guarantor
______________________ Name of Guarantor's Spouse	______________________ Name of Guarantor's Spouse
______________________ Signature of Guarantor's Spouse	______________________ Signature of Guarantor's Spouse

EXHIBIT F

TO THE FRANCHISE AGREEMENT

LEASE RIDER

RIDER AND SPECIAL STIPULATIONS

TO LEASE AGREEMENT DATED ____________________
BY AND BETWEEN

______________________________________, AS "LANDLORD"
AND

____, AS "TENANT" FOR THE DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and Special Provisions (the "**Rider**") and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "**Lease**"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate an ELEMENTS MASSAGE® studio in the Premises, and that Tenant's rights to operate an ELEMENTS MASSAGE® studio and to use the ELEMENTS MASSAGE® franchise system's trade and service marks are solely pursuant to a franchise agreement dated __________, 20__ (the "**Franchise Agreement**") between Tenant and Elements Therapeutic Massage, LLC (the "**Franchisor**"). Tenant's operations at the 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 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 (or any entity owned or controlled by, or under common control or ownership with, Franchisor) succeeding to Tenant's interest in the Lease by mutual agreement of Franchisor and Tenant, or as a result of Franchisor's exercise of rights 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 and other rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by

Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have five (5) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than five (5) days after Franchisor's receipt of such notice. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Elements Therapeutic Massage, LLC
9780 South Meridian Blvd, Suite 400
Englewood, CO 80112
Attention: Legal Department

With a copy to:

Arnall Golden Gregory, LLP
Attention: Jonathan L. Neville, Esq.
171 17th Street, Suite 2100
Atlanta, GA 30363

3. Assignment Rights of Franchisor and Affiliates. Notwithstanding anything to the contrary contained in the Lease or this Rider, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) the transfer of equity interests among existing holders of equity interests in Tenant or any direct or indirect parent thereof, to or among family members, or to trusts for the benefit of any of such parties, (ii) the transfer of equity interests in Tenant or any direct or indirect parent thereof in connection with a public offering of equity interests, (iii) any transfer of equity interests in Tenant or any direct or indirect parent thereof, if Tenant or any direct or indirect parent of Tenant is a public company, (iv) any direct or indirect transfers, including any sale, of equity interests in Tenant or any affiliate thereof, or (v) any change in the members of the board of managers, directors, management or organization of Tenant or any affiliate thereof, shall not be deemed an assignment, subletting, change of control or other transfer of Tenant's interest in and to this Lease.

4. Radius and Relocation Clauses Ineffective. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Rider or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) all "radius" restrictions or other limitations contained within the Lease limiting the operation of other locations/stores/units within a certain geographic area shall be of no further force or effect; and (ii) all rights of Landlord to directly or indirectly relocate the Premises shall be of no further force or effect.

5. Franchisor's Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the ELEMENTS MASSAGE® studio). Landlord agrees that Franchisor or its appointee may enter upon

the Premises for purposes of assuming the management and operation of the ELEMENTS MASSAGE® studio or taking other corrective actions as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease unless Franchisor exercises such rights to assume the Lease as set forth in Section 1 of this Rider. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the ELEMENTS MASSAGE® trademarks or other commercial symbols of Franchisor.

6. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

7. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

8. Default Under Franchise Agreement. Any default under the Lease which is not cured by Tenant within any applicable cure period also constitutes grounds for termination of the Franchise Agreement.

9. Remaining Provisions Unaffected. Those parts of the Lease that are not expressly modified by this Rider remain in full force and effect.

10. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same.

****

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD:	**TENANT**:
______________________	______________________
Address:______________________	Address:______________________
______________________	______________________
Phone;______________________	Phone:______________________
By:______________________	By:______________________
Name:______________________	Name:______________________
Title:______________________	Title:______________________
Date:______________________	Date: ______________________

EXHIBIT G

TO THE FRANCHISE AGREEMENT

AUTOMATIC BANK DRAFT AUTHORIZATION

Franchisee: ____

Owner Name: ____________________________________ Phone: _________________________

Contact Person: __________________________________ Title: __________________________
(if different from owner)

Address: ____

I hereby authorize Elements Therapeutic Massage, LLC and its successors and assigns ("Franchisor") to initiate entries to my checking or savings account identified below for Royalty (as defined in my Franchise Agreement with Franchisor), technology, website, default, late and other fees and amounts that may be incurred by me under the Franchise Agreement or otherwise and, if necessary, to initiate any adjustments for transactions credited in error.

Name and Address on Account: ____
____
____

Pay to the order of: Elements Therapeutic Massage, LLC

Your Financial Institution: ____
(Name, Address & Phone #) ____
____

Routing Number: ____

Account Number: ____

PLEASE ATTACH A VOIDED CHECK

Signature: ___________________________________ Date: ___________________________

Printed Name: _________________________________

Studio Number: ________________________________ Studio Name: _____________________

EXHIBIT H

TO THE FRANCHISE AGREEMENT

ASSIGNMENT OF CONTACT IDENTIFIERS AND ONLINE PRESENCES

The undersigned ("**Franchisee**") hereby acknowledges and agrees that ELEMENTS THERAPEUTIC MASSAGE, LLC ("**Franchisor**") has granted a franchise to Franchisee to operate a franchised business located at________________________________ ___________________________ (the "**Franchised Business**"), pursuant to a Franchise Agreement dated ___________________________ (the "**Franchise Agreement**"); and that in connection with the operation of that Franchised Business, Franchisor may have authorized Franchisee to acquire and/or maintain certain: (1) telephone and facsimile numbers and other directory listings (each a "**Contact Identifier**"), and/or (2) website, domain name, email address, social media account, user name, other online presence or presence on any electronic medium of any kind (each an "**Online Presence**").

1. Assignment. In the event of termination or expiration of the Franchise Agreement, Franchisee hereby sells, assigns, transfers and conveys to Franchisor all of its rights, title and interest in and to all Contact Identifiers and Online Presences pursuant to which Franchisee operated its Franchised Business in any manner, or which display, connect to, or are relating to the franchise system operated by Franchisor, or any tradenames, trademarks or other proprietary materials or symbols of any kind of Franchisor's or its affiliates relating to such franchise system or the Franchised Business. Upon termination or expiration of the Franchise Agreement, Franchisee shall immediately notify the telephone company, listing agencies and any other third-party owning or controlling any Contact Identifiers, and any internet service provider, website hosting company, domain registrar, social network or other third-party owning or controlling any Online Presence (all such entities collectively "**Registrars**") to assign the Contact Identifiers and Online Presences, as applicable, to Franchisor. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify any applicable Registrar to effectuate the assignment pursuant to the terms hereof, and in such case, Franchisor's liability will accrue exclusively from and after the date of such assignment.

2. Attorney-in-Fact. Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct each Registrar to assign all Contact Identifiers and Online Presences to Franchisor and execute such documents and take such actions as may be necessary to effectuate the assignment. If Franchisee fails to promptly direct the Registrars to assign the Contact Identifiers and Online Presences to Franchisor, Franchisor shall direct the Registrars to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Registrars may accept Franchisor's written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor's exclusive rights in and to the Contact Identifiers and Online Presences, as applicable, upon such termination or expiration. The parties further agree that if the Registrars require that the parties execute any assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

3. Further Assurances. The parties agree that they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. Representation and Warranties of Franchisee. Franchisee hereby represents, warrants and covenants to Franchisor as of the date hereof, and as of the date of expiration or termination of the Franchise Agreement, that:

(a) All of Franchisee's obligations and indebtedness related to its Contact Identifiers and Online Presences have been paid and are current;

(b) Franchisee has full power and legal right to enter into, execute, deliver and perform this Assignment;

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

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Franchisee is a party or by which Franchisee is bound, and no consent of nor approval by any third party is required in connection herewith; and

(e) Franchisee has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and Franchisee has obtained all necessary consents to this Assignment.

5. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Colorado. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. 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. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Assignment may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed and delivered this assignment as of the dates indicated below.

ELEMENTS THERAPEUTIC MASSAGE, LLC,
a Delaware limited liability company

Sign:_______________________________
Name:______________________________
Title:_______________________________

DATED:___________________________

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
Entity Name

____
Signature

Name:______________________________

Title:_______________________________

DATED:___________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
Signature

____
Print Name

DATED:___________________________

EXHIBIT C

AREA DEVELOPMENT AGREEMENT

ELEMENTS THERAPEUTIC MASSAGE, LLC

AREA DEVELOPMENT AGREEMENT
(MULTI-UNIT DEVELOPMENT)

____
DEVELOPER

____
DATE OF AGREEMENT

____
DEVELOPMENT AREA

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EXHIBITS

ELEMENTS THERAPEUTIC MASSAGE, LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "**Agreement**") is made and entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company with its principal business address at 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112 ("**we**"), and ___________________, whose principal business address is ___________________________________ ("**you**"), as of the date signed by us and set forth below our signature on this Agreement (the "**Effective Date**").

1. **PREAMBLES AND GRANT OF RIGHTS**.

A. PREAMBLES.

(1) We grant, to persons or entities who we determine meet our qualifications, franchises (each a "**Franchise**") for the development and operation of therapeutic massage studios (each a "**Studio**") using the *Elements Massage*® service mark and other trademarks we authorize from time to time (the "**Marks**") and the system and system standards under which Studios are developed and operated (the "**System**"). Each Franchise is granted solely pursuant to a written franchise agreement and related documents and agreements signed by us and a franchisee (each a "**Franchise Agreement**").

(2) We also grant, to persons or entities who we determine meet certain additional qualifications and who are willing to commit, the right to acquire multiple Franchises for the development and operation of Studios within a defined area (the "**Development Area**") pursuant to an agreed upon schedule (the "**Development Schedule**").

(3) You and, if you are an Entity (defined below), your owners have requested that we grant you such rights, and we are willing to do so in reliance on all of the information, representations, warranties and acknowledgements you and, if applicable, your owners have provided to us in support of your request, and subject to the terms and conditions set forth in this Agreement.

B. GRANT OF RIGHTS; TERM.

We grant you the right, and you undertake the obligation, either yourself or through your approved Affiliates (defined below), to acquire Franchises to develop, own and operate Studios (the "**Development Rights**"). In exercising the Development Rights, you agree, at a minimum, to strictly comply with the Development Schedule reflected on **Exhibit A**. The Development Rights may only be exercised for Studios to be developed and operated within the Development Area described on **Exhibit A**. The Development Rights may be exercised from the Effective Date and, unless sooner terminated as provided herein, continue until the earlier of (1) the date on which the last Studio that is required to be opened in order to satisfy the Development Schedule opens for regular business, or (2) the last day of the last Development Period (defined below) (the "**Term**").

The Development Rights are limited to the rights to acquire Franchises in accordance with and as described in this Agreement. Rights to develop and operate Studios or to use the Marks are granted only pursuant to individual Franchise Agreements, and you agree that the Development Rights do not include any such rights. You also acknowledge that we grant rights only pursuant to the expressed provisions of written agreements and not in any other manner, including orally or by implication, innuendo, extension or extrapolation.

An "**Affiliate**" is an Entity (defined below) in which you or your owners (i) own more than 51% of the issued and outstanding ownership interest and voting rights or (ii) have the right and power to control and determine the Entity's management and policies.

C. GRANT OF RIGHTS TO OTHERS; RIGHTS WE RESERVE.

Except as described in this Section 1.C, and provided you and your Affiliates are in full compliance with this Agreement and all Franchise Agreements and other agreements with us (or any of our affiliates), we will not, during the Term, either own Studios located in the Development Area or grant Franchises (or authorize the grant of Franchises) to any other person or entity to own Studios to be located in the Development Area. We are not otherwise restricted in any manner from engaging in any business activity whatsoever that is not expressly prohibited by this Agreement, including owning, operating and authorizing others to own and operate Studios outside the Development Area in our discretion. We may also do any of the following anywhere in the world, even within the Development Area:

(1) own and operate or authorize others to own and operate therapeutic massage studios under trademarks that are different from the Marks even if such studios offer products and services that are identical or similar to, and/or competitive with, products and services offered by Studios;

(2) use the Marks or any other trademarks or commercial symbols to own and operate businesses (other than Studios located in the Development Area as described above) and distribution channels (including the internet or retail stores), regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, even if such businesses sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell;

(3) establish and operate, and allow others to establish and operate, businesses using the Marks or any other trademarks or commercial symbols at Captive Market Locations. "**Captive Market Locations**" are airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, or other similar types of locations that have a restricted trade area located within the geographic boundaries of the Development Area;

(4) acquire the assets or ownership interests of one or more businesses, including Competitive Businesses (defined below), and franchise, license or create similar arrangements with respect to such businesses once acquired;

(5) be acquired or become controlled (regardless of the form of transaction) by any other business, including a Competitive Business; and

(6) operate or grant any third party the right to operate any Studios that we or our designees acquire as a result of the exercise of a right of first refusal or purchase right that we have under this Agreement or any Franchise Agreement.

D. BEST EFFORTS/BUSINESS ENTITY.

You must at all times faithfully, honestly and diligently perform your obligations and fully exploit the Development Rights during the Term and throughout the entire Development Area. You may not subcontract, subfranchise, or delegate any of your obligations under this Agreement to any third parties. If you are a corporation, limited liability company, partnership, or another form of business entity (collectively, an "**Entity**"), you agree and represent that:

(1) **Exhibit A** lists all of your owners and their interests as of the Effective Date;

(2) such persons as we designate, which may include the spouses of your owners, will execute an agreement, in the form set forth in **Exhibit B** (the "**Guaranty**"), under which such persons undertake personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us; and

(3) the business that this Agreement contemplates will be the only business you operate (although your owners may have other, non-competitive business interests).

E. FINANCING; MAXIMUM BORROWING LIMITS; MINIMUM LIQUIDITY.

We have granted the Development Rights to you based, in part, on your representations to us, and our assessment of your levels of liquidity as of the Effective Date. You will ensure that, throughout the Term, you will maintain sufficient liquidity and working capital reserves to meet your obligations under this Agreement. We reserve the right to establish and modify specific liquidity requirements from time to time, and you agree to comply with the liquidity requirements that we reasonably impose. At our request, you will provide us with evidence of your liquidity and working capital availability.

We may from time to time designate the maximum amount of debt that Studios may service, and you will ensure that you (and any Affiliate who has signed a Franchise Agreement) comply with such limits. You must also secure our approval of any debt for which the assets of the business are used as collateral, as described in the "transfer" provisions of the applicable Franchise Agreement.

2. EXERCISE OF DEVELOPMENT RIGHTS.

A. EXECUTION OF FRANCHISE AGREEMENTS.

Simultaneously with signing this Agreement, you or an approved Affiliate must sign and deliver to us a Franchise Agreement (which will reflect that no Initial Franchise Fee shall be due) and related documents representing the first Franchise you are obligated to acquire under this Agreement. You or your approved Affiliate must thereafter open and operate a Studio according to the terms of that Franchise Agreement. Thereafter, once we have approved a site, and prior to signing a lease or otherwise securing possession of the site, you or an approved Affiliate must sign our then-current form of Franchise Agreement and related documents, the terms of which may differ substantially from the terms contained in the Franchise Agreement in effect on the Effective Date. The Franchise Agreement will govern the development and operation of the Studio at the approved site identified therein.

B. PROPOSED SITES FOR STUDIOS.

You must give us all information and materials we request to assess each Studio site you propose as well as your and your proposed Affiliate's financial and operational ability to fund the development and operation of each proposed Studio. We have the absolute right to disapprove any site or any Affiliate (1) that does not meet our criteria or (2) if you or your Affiliates are not then in compliance with any existing Franchise Agreements executed pursuant to this Agreement or operating your or their Studios in compliance with the System Standards (as defined in such Franchise Agreements). We will use our reasonable efforts to review and approve or disapprove any sites you propose within thirty (30) days after we receive all requested information and materials. Once we approve a proposed site, you or your approved Affiliate must sign a separate Franchise Agreement as described in Section 2.A. If you or your approved Affiliate fails to do so within fifteen (15) days after we provide you with an execution copy of the Franchise Agreement, we may withdraw our approval. In addition, we reserve the right to propose sites to you within the Development Area for the development of Studios contemplated by this Agreement.

C. COMPLIANCE WITH DEVELOPMENT SCHEDULE.

Each period described in the Development Schedule is a "**Development Period**." You or your approved Affiliates must satisfy the obligations described on the Development Schedule (reflected on **Exhibit A**) during and as of the end of each Development Period. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Studios specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations under each Development Period of the Development Schedule.

We will count a Studio toward the Development Schedule only if it is actually operating in the regular course within the Development Area and substantially complying with the terms of its Franchise Agreement as of the end of the Development Period. However, a Studio which is, with our approval or because of fire or other casualty, permanently closed during the last ninety (90) days of a Development Period, after having been open and operating, will be counted toward the development obligations for the Development Period in which it closed, but not thereafter.

D. FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE.

If you fail to comply with the Development Schedule as of the end of any Development Period, in addition to terminating this Agreement under Section 7 and asserting any other rights we have under this Agreement as a result of such failure, we may (but need not) elect to revoke our agreement under Section 1.C not to grant similar development or franchise rights to others within the Development Area, reduce the size of the Development Area, and re-configure the Development Area, in each case, as we determine.

E. RECORDS AND REPORTING.

Upon our request or as otherwise noted, you agree to provide us with the following records and reports:

(1) Within sixty (60) days after the Effective Date, you may be required to prepare and give us, a business plan covering your projected revenues, costs and operations under this Agreement. This business plan will include your detailed projections of development costs and detailed revenue projections for your Studios. No more often than once per calendar year and within sixty (60) days after the start of each calendar year during the Term, you may be required to update the business plan to cover both actual results for the previous year and projections for the then current year. You acknowledge and agree that, while we may review and provide comments on the business plan and any updates you submit to us, regardless of whether we approve, disapprove, require revisions or provide other comments with respect to the business plan or any updated business plan, we take no responsibility for and make no guarantees or representations, expressed or implied, with respect to your ability to meet the business plan or to achieve the results set forth therein. If we request and approve your business plan or any updates to it, you must comply with it in all material respects. You bear the entire responsibility for achievement of the business plan you develop.

(2) No more often than once per month, within seven (7) days after the end of each month during the Term, you may be required to send us a report of your business activities during that month,

including information about your efforts to find sites for Studios in the Development Area and the status of development and projecting openings for each Studio under development in the Development Area.

(3) Within twenty-eight (28) days after the end of each calendar quarter, you must provide us with consolidated balance sheet and profit and loss statements for you and your Affiliates covering that quarter and the year-to-date and an updated balance sheet and related financial statements for each person signing the Guaranty.

Within sixty (60) days after the end of each calendar year, you must provide us with an annual profit and loss and source and use of funds statements and a balance sheet, consolidated for you and your Affiliates covering the previous year. We reserve the right to require that you have these financial statements and the financial statements of any prior fiscal years audited by an independent accounting firm designated by us in writing.

Each of the foregoing shall be in the form and format that we reasonably specify, shall be delivered to us in the manner we specify, and shall be certified as correct by you (or one of your owners).

3. **FEES**.

On your execution of this Agreement, you must pay us a nonrefundable development fee in an amount equal to [$________] (the "**Development Fee**"). The Development Fee is fully earned by us when you and we sign this Agreement and is nonrefundable.

4. **CONFIDENTIAL INFORMATION; INNOVATIONS**.

A. CONFIDENTIAL INFORMATION.

All information furnished to you by us, whether orally or in writing, including the Franchise Agreements, this Agreement, the System, plans, specifications, financial or business data or projections, all documents, data, information, materials, reports, proposals, procedures, financial information, compensation information, proposed advertising, advertising and marketing plans, operations manuals, formulas, samples, improvements, models, drawings, programs, compilations, devices, methods, designs, techniques and specifications, inventions, know-how, processes, business plans, marketing techniques, information generated by, or used or developed in, your Studio's operation, including information relating to clients (such as client names, addresses, telephone numbers, e-mail addresses, buying habits, preferences, demographic information, and similar information), purchasing techniques, supplier lists, supplier information, advertising strategies, operations, our trade secrets, or any other forms of business information, whether or not marked as confidential (collectively, the "**Confidential Information**"): (1) shall be deemed proprietary and shall be held by you in strict confidence; (2) shall not be disclosed or revealed or shared with any other person except to your employees or contractors who have a need to know such Confidential Information for purposes of this Agreement and who are under a duty of confidentiality no less restrictive than your obligations hereunder, or to individuals or entities specifically authorized by us in advance; and (3) shall not be used except to the extent necessary to exercise the Development Rights or as permitted under Franchise Agreements, and then only in circumstances of confidence and in accordance with the obligations set forth in the Franchise Agreements. You will protect the Confidential Information from unauthorized use, access, or disclosure in the same manner as you protect your own confidential or proprietary information of a similar nature and with no less than reasonable care.

All Confidential Information will at all times remain our sole property. You agree to return to us or destroy, at our election, all Confidential Information in your possession or control and permanently erase all electronic copies of such Confidential Information promptly upon our request or upon the expiration or termination of this Agreement, whichever comes first. At our request, you will certify in writing signed by one of your officers that you have fully complied with the foregoing obligations.

B. INNOVATIONS.

You agree that, as between us, we or our affiliates own the System and any Confidential Information, and that your rights to use the System and Confidential Information, derive solely from this Agreement or from Franchise Agreements executed pursuant to this Agreement. All improvements, developments, derivative works, enhancements, or modifications to the System and any Confidential Information (collectively, "**Innovations**") made or created by you, your employees or your contractors, whether developed separately or in conjunction with us, shall be owned solely by us or our affiliates. You represent, warrant, and covenant that your employees and contractors are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your contractors are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us. To that end, you shall execute, verify, and deliver such documents (including assignments) and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. In the event we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section 4.B, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section 4.B with the same legal force and effect as if executed by you.

C. GENERAL.

If you breach any of the provisions of this Section 4, we will be entitled to equitable relief, including in the form of injunctions and orders for specific performance, in addition to all other remedies available at law or equity. The obligations under this Section 4 shall survive any expiration or termination of the Agreement.

5. **RESTRICTIVE COVENANTS DURING TERM**.

A. COVENANTS AGAINST COMPETITION.

We have granted you the Development Rights in consideration of and in reliance upon your agreement to deal exclusively with us. Therefore, during the Term, you agree that, other than in accordance with this Agreement, neither you, your Affiliates, nor any of your or their officers, directors, shareholders, members, partners or other owners, nor any spouse of yours or any of these individuals (collectively, "**Bound Parties**"), shall:

(1) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (as defined below), wherever located or operating;

(2) perform services as a director, officer, manager, employee, consultant, lessor, representative, agent or otherwise for a Competitive Business, wherever located or operating;

(3) divert or attempt to divert any business or memberships related to the Studios, your business, or any other franchisee's Studio by direct inducement or otherwise, or divert or attempt to divert

the employment of any employee of ours, any of our affiliates, or another franchisee or developer, to any Competitive Business;

(4) interfere with the relationships we, our affiliates, or our franchisees have from time to time with vendors, suppliers or consultants;

(5) engage in any other activity which might injure the goodwill of the Marks and/or the System; or

(6) directly or indirectly assist an immediate family member of any of the Bound Parties in engaging in any of the activities listed in subsections (1)–(5) above.

The term "**Competitive Business**" for purposes of this Agreement, means any business (other than a franchise operated under a Franchise Agreement with us or our affiliate) operating or granting franchises or licenses to others to operate therapeutic massage or bodywork services studios or any other massage service business, or any business offering or selling products, or educational materials or conducting workshops for services that are the same as, similar to, or competitive with the System or other Studios.

B. COVENANTS FROM OTHERS.

You agree to obtain from the Bound Parties similar agreements regarding non-competition (Section 5.A and Section 7.C) and Confidential Information (Section 4). You must provide us with copies of all such agreements on our request. We may regulate the forms of agreement that you use and be a third-party beneficiary of the agreement with independent enforcement rights. You may not assume that any such form we provide you is or will be enforceable in a particular jurisdiction. You are solely responsible for obtaining your own professional advice with respect to the adequacy of the terms and provisions of such forms, but you must secure our approval, prior to use, of any form that contains variations from the form we provide.

6. **TRANSFER**.

A. BY US.

This Agreement inures to the benefit of us and our successors and assigns, and we have the right to transfer or assign all or any part of our interest, rights, privileges, duties and obligations hereunder to any person or legal entity without your approval.

B. BY YOU.

You acknowledge that we have granted you the Development Rights in reliance upon, and in consideration of, your business skills, financial capacity and other required qualifications. Accordingly, the rights and duties created under this Agreement are personal to you. Your interest in this Agreement, any of your rights under this Agreement, the Development Rights or any interest therein, and any direct or indirect ownership interest in you (regardless of its size), any approved Affiliate, or any of your owners (if such owners are legal entities) may not be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner (collectively, a "**transfer**"), without our prior written consent. Any actual or intended assignment, transfer or sale made in violation of the terms of this Section 6.B shall be null and void and shall constitute a material breach of this Agreement, constituting good cause for termination of this Agreement. Additionally, you may not pledge or encumber this Agreement, your Development Rights or an ownership interest in you or your owners (to someone other than us) as security for any loan or other financing, unless (i) we grant our prior written consent and (ii) the lender agrees that its claims will be subordinate to all amounts you owe at any time to us or our affiliates.

The Development Rights may not be transferred separate and apart from the entirety of this Agreement. Additionally, a proposed transfer of this Agreement may not be made separately from or independently of a transfer to the same recipient of all of the Franchise Agreements (and the Studios operated pursuant thereto) executed pursuant to this Agreement.

We will not unreasonably withhold our consent to a transfer, provided all of the following conditions are met before or concurrently with the effective date of the transfer:

(1) you have met all requirements of the Development Schedule, the proposed transferee provides information to us sufficient for us to assess the transferee's business experience and aptitude, and the transferee demonstrates sufficient financial resources to satisfy the remaining requirements of the Development Schedule;

(2) neither you nor your Affiliates have violated any provision of this Agreement or any other agreement with us or our affiliates during both the sixty (60) day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;

(4) the transferee shall sign our then-current form of area development agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided, that the Development Schedule of the new area development agreement will equal the remainder of the then-remaining Development Schedule of this Agreement;

(5) you pay us a transfer fee equal to $10,000;

(6) you, your owners, and any other guarantors under this Agreement, execute a consent to transfer, which will include a general release and a non-disparagement clause, in a form satisfactory to us, releasing us and our affiliates, and our and their respective officers, directors, members, shareholders, employees and agents, in their corporate and individual capacities, from any and all claims, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

(7) all individuals and entities who will be direct or indirect owners of the transferee must execute or have executed a guaranty in the form we prescribe;

(8) we have determined that the purchase price and payment terms between you and the transferee will not adversely affect the transferee's ability to meet the Development Schedule or operate any of the Studios developed pursuant to this Agreement;

(9) the transferee's obligations under promissory notes, agreements, or security interests are subordinate to the transferee's obligation to pay any amounts due to us, our affiliates, and third-party vendors related to the operation of the Studios and otherwise to comply with the Development Schedule and this Agreement;

(10) you and your transferring owners agree to terminate this Agreement in accordance with its terms, and comply with all applicable post-termination obligations, including by complying with the restrictive covenants found in Section 7.C of this Agreement.

You acknowledge that the proposed transferee will be evaluated by us based on the same criteria as those currently being used to assess new developers and that the proposed transferee will be provided with the disclosures required by law. We may review all information regarding the Development Rights and your area development business that you give the transferee, and we may give the transferee copies of any reports or information that you have given us or that we have made regarding your area development business. Our consent to a transfer pursuant to this Section 6.B is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

C. OUR RIGHT OF FIRST REFUSAL.

If you (or any of your owners) at any time determine to sell or transfer for consideration this Agreement, the assets of your area development business or the Studios, or a controlling interest in you (except to or among your current owners, which is not subject to this Section), in a transaction that otherwise would be allowed under Section 6.B above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to an interest in you or in this Agreement and your area development business and Studios. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price, and must be contingent upon our waiver of our right of first refusal as described in this Section 6.C. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

Upon our receipt of the offer and other documents, we will have 30 days in which to exercise our right of first refusal on the same terms and conditions set forth within the offer. During such period, we may also notify you that we have acted to withhold approval of the proposed transfer and will provide you with the specific reasons for such action.

7. TERMINATION OF AGREEMENT.

A. EVENTS OF TERMINATION.

Notwithstanding anything otherwise contained in this Agreement, we will have the right to terminate this Agreement at any time and without notice, upon the happening of any one or more of the following events:

(1) you or your Affiliates fail to pay any amount due under this Agreement or any Franchise Agreement when and as it becomes due and payable, and such failure continues for a period of ten (10) days after written notice from us;

(2) you cease or threaten to cease to carry on the business granted to you under this Agreement, or take or threaten to take any action to liquidate your assets, or if you do not pay any debts or other amounts incurred by you in operating the business hereunder when such debts or amounts are due and payable;

(3) you fail to comply with the Development Schedule;

(4) you make or purport to make a general assignment for the benefit of creditors; or if you hereto institute any proceeding under any statute or otherwise relating to insolvency or bankruptcy, or should any proceeding under any such statute or otherwise be instituted against you; or if a custodian, receiver, manager or any other person with like powers is appointed to take charge of all or any part of the business granted hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or if you commit or suffer any default under any contract of conditional sale, mortgage or other security instrument in respect of the business being operated hereunder or of the shares or documents of title owned by any of your shareholders or title holders; or if any of your goods, chattels or assets or of the business are seized or taken in execution or in attachment by a creditor, or if a writ of execution is issued against any of such goods, chattels, or assets; or if a judgment or judgments for the payment of money in amounts in excess of $5,000, is rendered by any court of competent jurisdiction against you;

(5) you fail to furnish reports, financial statements, tax returns or any other documentation required by the provisions of this Agreement and do not correct such failure within ten (10) days following notice;

(6) if you are an Entity, (i) an order is made or a resolution passed or any proceedings taken towards your winding up or liquidation or dissolution or amalgamation; or (ii) you lose your charter by expiration, forfeiture or otherwise;

(7) you or any of your owners has made any material misrepresentation or omission in your or their application and the documents and other information provided to us to support your or their application to acquire the rights granted in this Agreement;

(8) you (or any of your owners) make or attempt to make an unauthorized transfer (as defined in Section 6.B);

(9) you (or any of your owners) are (i) convicted of or plead guilty or "no-contest" to a felony, (ii) convicted of or plead guilty or "no contest" to any crime or other offense likely to adversely affect the reputation of Studios or the goodwill of the Marks, or (iii) engage in any conduct which, in our opinion, adversely affects or, if you were to continue as a developer under this Agreement, is likely to adversely affect the reputation of the business you conduct pursuant to this Agreement, the reputation and goodwill of Studios generally or the goodwill associated with the Marks;

(10) we provide written notice of your (or any of your owners') failure (i) on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement, or (ii) on two (2) or more separate occasions within any six (6) consecutive month period to comply with the same obligation under this Agreement, in any case, whether or not you correct the failures after our delivery of notice to you;

(11) you or your Affiliates fail to comply with any provision of any Franchise Agreement or any other agreement with us or our affiliates and do not cure such failures within the applicable cure period, if any; or

(12) you fail to observe, perform or comply with any other of the terms or conditions of this Agreement not listed in Section 7.A(1) through (11) above, and such failure continues for a period of ten (10) days after written notice thereof has been given by us to you.

B. **EFFECTS OF TERMINATION OR EXPIRATION**.

(1) **Effects**. On the expiration or termination of this Agreement for any reason whatsoever, the following provisions apply:

(a) all of your rights under this Agreement will cease, and you are no longer entitled to exercise the Development Rights or hold yourself out to the public as being a developer of Studios;

(b) you must return all Confidential Information in your possession or control (except that you may retain and continue to use any Confidential Information that you are permitted to use under any Franchise Agreements); and

(c) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination.

C. **COVENANT NOT TO COMPETE / NON-SOLICITATION**.

(1) **Non-Competition**. Upon termination or expiration of this Agreement, or upon any transfer, you and your owners agree that, for two (2) years beginning on the effective date of termination, expiration or transfer, or the date on which all persons restricted by this Section 7.C begin to comply with this Section 7.C, whichever is later, neither you nor your Affiliates, nor any of the Bound Parties will have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise), investor, partner, director, officer, employee, consultant, lessor, representative, or agent in any Competitive Business located or operating:

(a) within the Development Area; and

(b) within a three (3) mile radius of any Studio in operation or under construction on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section 7.C begin to comply with this Section 7.C.

(2) **Non-Solicitation**. You further agree that, for two (2) years beginning on the effective date of termination or expiration, neither you nor any of the Bound Parties, will:

(a) interfere or attempt to interfere with our, our affiliates' or our franchisees' relationships with any vendors or consultants; or

(b) engage in any other activity which might injure the goodwill of the Marks and/or the System.

D. **SURVIVAL OF COVENANTS**.

Notwithstanding the expiration, termination or transfer of this Agreement for any reason whatsoever, all covenants and agreements to be performed or observed by you will survive any such termination, expiration or transfer.

8. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**.

A. INDEPENDENT CONTRACTORS.

Each of us is an independent contractor, and neither is considered to be the agent, representative, master or servant of the other for any purpose. Neither of us has any authority to enter into any contract, to assume any obligations or to give any warranties or representations on behalf of the other. Nothing in this Agreement may be construed to create a relationship of partners, joint venturers, fiduciaries, agency or any other similar relationship between us and you.

B. INDEMNIFICATION.

You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective current and former owners, managers, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the operation of the business you conduct under this Agreement, or your breach of this Agreement, including those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction. For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this Section 8.B. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section 8.B.

9. **ENFORCEMENT; ARBITRATION**.

A. ARBITRATION

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to

(a) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);

(b) our relationship with you; or

(c) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 9.A, which we and you acknowledge is to be determined by an arbitrator, not a court).

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings will be conducted by one (1) arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within fifty (50) miles of our then-current principal place of business (currently, Englewood, Colorado). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq*.). 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.

The arbitrator has the right to 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). Further, at the conclusion of the arbitration, the arbitrator shall award to the prevailing party its attorneys' fees and costs.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, (III) JOINED WITH ANY SEPARATE CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described in this Section, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded, unless the parties later mutually agree to their use.

With respect to any discovery of electronically stored information, you and we agree that such requests must balance the need for production of electronically stored information relevant and material to the outcome of a disputed issue against the cost of locating and producing such information. You and we agree that:

(1) production of electronically stored information need only be from sources used in the ordinary course of business. No party shall be required to search for or produce information from back-up servers, tapes, or other media;

(2) the production of electronically stored information shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the information and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, with the exception of header fields for email correspondence;

(3) the description of custodians from whom electronically stored information may be collected shall be narrowly tailored to include only those individuals whose electronically stored information may reasonably be expected to contain evidence that is relevant and material to the outcome of a disputed issue;

(4) the parties shall attempt to agree in advance upon, and the arbitrator may determine, reasonable search parameters; and

(5) where the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on condition that the requesting party advance the reasonable cost of production to the other side, which cost advance will not be awarded to the prevailing party in any final award.

In any arbitration each side may take no more than three (3) depositions, unless the parties mutually agree to additional depositions. Each side's depositions are to consume no more than a total of fifteen (15) hours, and each deposition shall be limited to five (5) hours, unless the parties mutually agree to additional time.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories.

The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

B. GOVERNING LAW.

ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE UNITED STATES FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) (THE "**LANHAM ACT**"), OR OTHER UNITED STATES FEDERAL LAW, THIS AGREEMENT, THE DEVELOPMENT RIGHTS, AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED (CURRENTLY, COLORADO)

WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES, EXCEPT THAT ANY STATE LAW REGULATING THE OFFER OR SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

C. <u>CONSENT TO JURISDICTION</u>.

SUBJECT TO SECTION 9.A, YOU AND THE BOUND PARTIES AGREE THAT ALL ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED EXCLUSIVELY IN A STATE OR FEDERAL COURT IN THE LOCATION IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED, WHICH IS CURRENTLY ENGLEWOOD, COLORADO, AND WE AND YOU (AND EACH OWNER) IRREVOCABLY CONSENT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS.

D. <u>WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS</u>.

WE, YOU AND THE OTHER BOUND PARTIES EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT BY ANY PARTY. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD-PARTY CLAIMS UNDER SECTION 8.B, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU AGREE THAT ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU (OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES), ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

E. <u>INJUNCTIVE RELIEF</u>.

Nothing in this Agreement, including the provisions of Section 9.A, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

F. <u>LIMITATION OF CLAIMS</u>.

Except for claims arising from your non-payment or underpayment of amounts you owe to us pursuant to this Agreement, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial proceeding is commenced in accordance with this Agreement within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

You and your owners agree that our and our affiliates' owners, directors, managers, officers, employees and agents shall not be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

G. ATTORNEYS' FEES AND COSTS.

The prevailing party in any arbitration or litigation shall be entitled to recover from the other party all damages, costs and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such arbitration or litigation.

10. MISCELLANEOUS.

A. NOTICES.

All notices, consents, approvals, statements, documents or other communications required or permitted to be given hereunder must be in writing, and must be delivered (1) personally or (2) mailed by registered mail, postage prepaid, or (3) sent by reputable overnight courier (such as Federal Express or UPS), to the said parties at their respective addresses set forth in the opening paragraph of this Agreement to the attention of the person indicated below:

If to us: Attention: Legal Department

If to you: Attention: ______________________________________

or at any such other address or addresses as the party to whom such notice, consent approval, statement, documentation or other communication is to be given, may designate by notice in writing so given to the other parties hereto as provided hereinbefore. If any one of the said parties is comprised of more than one person or Entity, any notice, consent, approval, statement, document or other communication may be given by or to any one thereof, and it will have the same force and effect as if given by or to all thereof. Any notices, consents, approvals, statements, documents or other communications, (i) if delivered personally, will be deemed to have been given on the day of delivery, (ii) if mailed will be deemed to have been given on the second business day (except Saturdays and Sundays) following such mailing, or (iii) if sent via overnight courier when received or refused.

B. JOINT AND SEVERAL OBLIGATION.

If either you are comprised of more than one individual or Entity, the obligations of each such individual and Entity under this Agreement will be joint and several.

C. SEVERABILITY.

If any term or condition of this Agreement is, to any extent, declared to be invalid or unenforceable, all other terms and conditions of this Agreement, other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term and condition of this Agreement will be separately valid and enforceable to the fullest extent permitted by law.

D. HEADINGS; CONSTRUCTION.

Headings preceding the text, sections and subsections hereof have been inserted solely for convenience of reference and will not be construed to affect the meaning, construction or effect of this Agreement. Whenever this Agreement allows or requires us to take actions or make decisions, we may do so in our sole and unfettered discretion, even if you believe our action or decision is unreasonable, unless the Agreement expressly and specifically requires that we act reasonably or refrain from acting unreasonably in connection with the particular action or decision. The term “including” means “including, without limitation” unless otherwise noted. The term “control” means the right and power to direct or cause the direction of an entity’s management and policies.

E. WAIVER.

The waiver by either you or us of a breach of any term or condition contained in this Agreement will not be deemed to be a waiver of such term or condition or any subsequent breach of the same or any other term or condition herein contained unless such waiver is expressly set forth in writing. A party’s failure to exercise any right to demand exact compliance and any custom or practice at variance with the terms and conditions of this Agreement will not constitute a waiver of the right to demand exact compliance with the terms and conditions hereof. Our subsequent acceptance of any amount payable hereunder, will not be deemed to be a waiver of any preceding breach of any term or condition of this Agreement, other than the failure to pay the particular amount so accepted, regardless of our knowledge of such preceding breach at the time of acceptance of such amount.

F. FURTHER ASSURANCES.

You and we agree to execute and deliver such further and other agreements, assurances, undertakings, acknowledgements or documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise our vote and influence and do and perform and cause to be done and performed any further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement and every part hereof.

G. ENTIRE AGREEMENT.

This Agreement and all schedules attached hereto constitute the entire agreement of the parties hereto and all prior negotiations, commitments, representations, warranties, agreements and undertakings made prior hereto are hereby merged. Other than the representations in the franchise disclosure document you received from us, there are no other inducements, representations, warranties, agreements, undertakings, or promises, (oral or otherwise) among you and us relating to the subject matter of this Agreement. No subsequent alteration, amendment, change or addition to this Agreement or any schedules will be binding upon the parties hereto unless reduced to writing and signed by us and you or our and your respective heirs, executors, administrators, successors or assigns. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

H. BINDING AGREEMENT.

This Agreement will inure to the benefit of and be binding upon us and our successors and assigns and will be binding upon you and your heirs, executors, administrators, successors and authorized assigns.

I. COUNTERPARTS.

This Agreement may be executed in multiple copies, each of which will be deemed an original. Signatures transmitted via facsimile or scanned and emailed shall have the same force and effect as originals.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement to be effective as of the Effective Date.

ELEMENTS THERAPEUTIC MASSAGE, LLC, a Delaware limited liability company	**DEVELOPER:** **[NAME OF INDIVIDUAL OR ENTITY]**
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________
Date*: ____________________________ *(*This is the Effective Date)*	Date: _____________________________

EXHIBIT A
TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA; DEVELOPMENT SCHEDULE AND OWNERSHIP

The **Development Area** is comprised of: ____, as depicted on the map attached hereto. If the Development Area is identified by counties or other political subdivisions, political boundaries will be considered fixed as of the date of this Agreement and will not change, notwithstanding a political reorganization or change to the boundaries or regions.

The **Development Schedule** is as follows:

Development Period	**Number of New Studios to be Opened During Development Period**	**Cumulative Number of Studios to be Operating by End of Development Period**
Effective Date to ____	__________	__________
_____ to _____	__________	__________
_____ to _____	__________	__________
_____ to _____	__________	_________

You were incorporated or formed on ______________________ under the laws of the State of _____________. The following lists the full name of each person who is one of your owners and fully describes the nature of each owner's interest.

Owner's Name	Type and Percentage of Interest	
____	____________________	___%
____	____________________	___%
____	____________________	___%

ELEMENTS THERAPEUTIC MASSAGE, LLC, a Delaware limited liability company	**DEVELOPER:** **[NAME OF INDIVIDUAL OR ENTITY]**
By: ____________________________________	By: ____________________________________
Name: __________________________________	Name: __________________________________
Title: __________________________________	Title: __________________________________
Date: __________________________________	Date: __________________________________

MAP OF DEVELOPMENT AREA

EXHIBIT B
TO AREA DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given on _______________ ____________________, by the persons indicated below who have executed this Agreement.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "**Agreement**") on this date by **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company ("**we**," "**us**," or "**our**"), each of the undersigned personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that ______________________________ ("**Developer**") will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Developer or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Developer or its owners, and for so long as we have any cause of action against Developer or its owners; (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Developer, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; and (6) upon our request, he or she must submit to us suitable credit and financial information to allow us to make a reasonable decision as to the undersigned's creditworthiness and financial position including, without limitation, a personal net worth statement and such other information which would reasonably be considered relevant to us in determining whether or not the undersigned has the ability to satisfy his or her obligations under this Guaranty.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each of the undersigned that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Developer (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such undersigned (or on such undersigned's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse, such undersigned is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each of the undersigned acknowledges and represents that he or she has had an opportunity to review the Agreement and agrees that the provisions of Section 9 (Enforcement; Arbitration) have been reviewed by the undersigned and are incorporated, by reference, into and shall govern this Guaranty and Assumption of Obligations and any disputes between the undersigned and us. Nonetheless, each of the undersigned agrees that we may also enforce this Guaranty and Assumption of Obligations and awards in the courts of the state or states in which he or she is domiciled.

[SIGNATURE PAGE FOLLOWS]

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

GUARANTOR(S):

Signature:____________________________ Print Name:___________________________	Signature:____________________________ Print Name:___________________________
Signature:____________________________ Print Name:___________________________	Signature:____________________________ Print Name:___________________________

The undersigned, as the spouse of the Guarantor 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
____________________________ 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 C
TO AREA DEVELOPMENT AGREEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

(AREA DEVELOPMENT AGREEMENT)

The purpose of this Statement is to demonstrate to Elements Therapeutic Massage, LLC ("Franchisor") that the person(s) signing below ("I," "me" or "my"), whether acting individually or on behalf of any legal entity established to acquire the Development Rights, (a) fully understands that the purchase of area development rights 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 for the Development Rights (the "Franchise").

In that regard, I represent to Franchisor and acknowledge that:

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 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.	**INITIAL:**
I received a copy of the FDD, including the Area Development Agreement, at least 14 calendar days (10 business days in Michigan) before I executed the Area Development 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.	**INITIAL:**
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 or as indicated below (**write "None" if none provided**): ____ ____.	**INITIAL:**
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.	**INITIAL:**

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:**
I have not 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 (including any statement, promise or assurance concerning the likelihood of my success) except as contained in the FDD or as indicated below (**write "None" if none provided**): ____ ____.	**INITIAL:**

Prohibited Parties Clause. I acknowledge that Franchisor, its employees and its agents are subject to U.S. laws that prohibit or restrict (a) transactions with certain parties, and (b) the conduct of transactions involving certain foreign parties. These laws include, without limitation, U.S. Executive Order 13224, the U.S. Foreign Corrupt Practices Act, the Bank Secrecy Act, the International Money Laundering Abatement and Anti-terrorism Financing Act, the Export Administration Act, the Arms Export Control Act, the U.S. Patriot Act, and the International Economic Emergency Powers Act, and the regulations issued pursuant to these and other U.S. laws. As part of the express consideration for the purchase of the Franchise, I represent that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been listed on:

1. the U.S. Treasury Department's List of Specially Designated Nationals;

2. the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders;

3. the U.S. State Department's Debarred List or Nonproliferation Sanctions; or

4. the Annex to U.S. Executive Order 13224.

I warrant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, is now, or has been: (i) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or (ii) is owned or controlled by terrorists or sponsors of terrorism. I warrant that I am 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 me to Franchisor were legally obtained in compliance with these laws.

I further covenant that neither I nor any of my employees, agents, or representatives, nor any other person or entity associated with me, will, during the term of the Area Development Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature Page Follows]

Sign here if you are taking the Franchise as an **INDIVIDUAL(S)** **(Note: use these blocks if you are an individual or a partnership but the partnership is not a separate legal entity)**	Sign here if you are taking the Franchise as a **CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP**
______________________________ **Signature**	______________________________ Print Name of Legal Entity
Print Name: ____________________	By: ____________________
Dated: ____________________	Print Name: ____________________
	Title: ____________________
	Dated: ____________________
______________________________ **Signature**	
Print Name: ____________________	
Dated: ____________________	
______________________________ **Signature**	
Print Name: ____________________	
Dated: ____________________	
______________________________ **Signature**	
Print Name: ____________________	
Dated: ____________________	

NOTE TO MARYLAND RESIDENTS OR DEVELOPERS WITH A DEVELOPMENT AREA LOCATED IN MARYLAND: This Representations and Acknowledgement Statement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT D1

LIST OF FRANCHISEES AS OF DECEMBER 31, 2019

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
C.A.M. Massage Therapy, LLC	6920 Airport Blvd	# 111	Mobile	AL	36608	Claudia McClure	(251) 342-6415
Messina Wellness Enterprises, LLC	41722 N Gavilan Peak Pkwy	#D-120	Anthem	AZ	85086	Matthew Messina	(623) 666-5493
A Touch of Bliss LLC	29455 N Cave Creek Rd	#114	Cave Creek	AZ	85331	Karla Rosser	(480) 409-7420
WM Chandler Investments, LLC	3431 W Frye Rd	# 6	Chandler	AZ	85226	Edward Wagner	(480) 917-4880
WM Chandler Investments, LLC	3901 S Arizona Ave	#1	Chandler	AZ	85248	Edward Wagner	(480) 361-1344
MS Therapeutic, LLC	7131 W Ray Rd	# 4	Chandler	AZ	85226	Janet Schwab	(480) 219-9931
Wright Touch Two LLC	2556 S Val Vista Dr	# 105	Gilbert	AZ	85295	Michael Wright	(480) 726-2222
Elemaz, LLC	19420 N 59th Ave	# E-515	Glendale	AZ	85308	Donald Gatzemeier	(623) 847-4050
Palm Valley Healing LLC	14175 W Indian School Rd	D5	Goodyear	AZ	85395	Donald Gatzemeier	(623) 223-5950
Rothatron, LLC	805 N Dobson Rd	# 107	Mesa	AZ	85201	Craig Roth	(480) 582-4503
Second Gig, LLC	6747 E McDowell Rd	# 105	Mesa	AZ	85215	Ronald Gatza	(480) 704-4427
Gatza Investment Group, Inc.	1705 S Greenfield Rd	# 103	Mesa	AZ	85206	Ronald Gatza	(480) 719-7199
Angela Christy Enterprises, LLC	1917 S Signal Butte Rd	#B105	Mesa	AZ	85209	Angela Sarhaddi	(480) 567-8923
CarMel Halycon Corp.	5221 S Power Rd	# A103	Mesa	AZ	85212	Melanie Thierjung-Laing	(480) 508-4360
Healing Triangle, LLC	23757 N Scottsdale Rd	#110	North Scottsdale	AZ	85255	Nelson Crespo	(480) 476-8500
KJE Enterprises, LLC	7857 W Bell Rd	# 108	Peoria	AZ	85382	Donald Gatzemeier	(623) 399-4400
Peaceful Massage, Inc.	1949 E Camelback Rd	# 142	Phoenix	AZ	85016	Carroll Klein	(602) 900-4935
Moon Valley Wellness, LLC	630 E Bell Rd	# 102	Phoenix	AZ	85022	Jeffrey Crenshaw	(602) 412-1619
Primera-AS, LLC	21050 N Tatum Blvd	#D-102	Phoenix	AZ	85050	Analydia Shooks	(602) 875-5333
KV Cleveland Group, Inc.	4325 E Indian School Rd	#105	Phoenix	AZ	85018	Silvia Veronica Salcedo-Cleveland	(480) 445-9111
Rack Norterra LLC	2501 W Happy Valley Rd	# 32-1060	Phoenix	AZ	85085	Rodd Schifferdecker	(623) 444-2402
GATZ EM 4, LLC	10625 N Tatum Blvd	# D-138	Phoenix	AZ	85028	Donald Gatzemeier	(480) 483-1123
Ocotillo Wellness Group, LLC	40930 North Ironwood Drive	#106	Queen Creek	AZ	85140	Carlos Vanegas	(480) 300-4056
Desert Ridge Wellness, LLC	6204 N Scottsdale Rd	#103	Scottsdale	AZ	85253	Jeffrey Crenshaw	(480) 401-1400
Healing Horizon, LLC	14700 N Frank Lloyd Wright Blvd	#153	Scottsdale	AZ	85260	Nelson Crespo	(480) 565-1030

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Healing Hands, LLC	16255 N Scottsdale Rd	# C-5	Scottsdale	AZ	85254	Nelson Crespo	(480) 998-2120
Wright Touch, L.L.C.	9343 E Shea Blvd	# 120	Scottsdale	AZ	85260	Michael Wright	(480) 941-3077
Rothnado, L.L.C.	5116 S Rural Rd	# 125	Tempe	AZ	85282	Craig Roth	(480) 397-0701
Soliz-Fortis, Inc.	975 E Birch St	# G	Brea	CA	92821	Celeste Soliz	(714) 494-1068
5Rock Ventures, LLC	1604 W Campbell Ave		Campbell	CA	95008	Salita LaPierre	(408) 540-7225
Conkillian Enterprises Inc.	2701 Harbor Blvd	# E-3	Costa Mesa	CA	92626	Erina Buckley	(714) 850-0500
Yganacio Valley Massage LLC	200 Bon Air Ctr	# 200	Greenbrae	CA	94904	Monica Hahn	(415) 526-3461
Go Modern Health, Corp.	27901 La Paz Rd	# E	Laguna Niguel	CA	92677	Michael O'Keefe	(949) 643-9100
Big Girl Pants, Inc.	708 Blossom Hill Rd		Los Gatos	CA	95032	Melissa Seger	(408) 796-1602
EnM Studio 2, LLC	2267 S El Camino Real	# C	Oceanside	CA	92054	Michael Dow	(760) 712-4718
Parsi Ventures, LLC	2190 W Bayshore Rd	# 160	Palo Alto	CA	94303	Mahshid Parsi	(650) 847-1825
CS Arya LLC	7945 Vineyard Ave	# D-2	Rancho Cucamonga	CA	91730	Chetan Channaveeraiah	(909) 297-5955
EnM Studio 1, LLC	711 Center Dr	# 106-107	San Marcos	CA	92069	Michael Dow	(760) 621-8109
Sunnyvale Massage LLC	39 E 4th Ave		San Mateo	CA	94401	Lisa Meteyer	(650) 558-8775
Marlin DeLois, Inc.	2415 San Ramon Valley Blvd	# 1	San Ramon	CA	94583	Greg Roberts	(925) 838-7900
TTE Enterprises, Inc.	26568 Bouquet Canyon Rd		Santa Clarita	CA	91350	Tammy Epley	(661) 263-5608
Athena Stone Wellness Inc.	2845 Cochran St	# A	Simi Valley	CA	93065	Carolyn Boucher	(805) 416-2502
Carlsbad Massage, LLC	3247 Camino de Los Coches	# 110	South Carlsbad	CA	92009	Peter Kovacs	(760) 585-9101
Latte Stone Wellness LLC	308 W El Camino Real		Sunnyvale	CA	94087	Salita LaPierre	(408) 737-8587
Ygnacio Valley Massage II LLC	2870 Ygnacio Valley Rd		Walnut Creek	CA	94598	Monica Hahn	(925) 266-4200
Mare, Inc.	2281 E Thousand Oaks Blvd		Westlake Village	CA	91362	Janice Juergens	(805) 379-3800
eVelo Franchise Concepts LLC	8770 Wadsworth Blvd	# T	Arvada	CO	80003	Benjamin Maxwell	(720) 636-8244
Sollis, LLC	3571 S Tower Rd	# A	Aurora	CO	80013	Forrest Burdue	(303) 400-4545
Mills Massage, LLC	2321 30th St		Boulder	CO	80301	Mary Kate Mills	(303) 440-3998
Health Connections of Castle Rock, Inc.	4991 Factory Shops Blvd	# 120	Castle Rock	CO	80108	Kristin Adams	(303) 663-0162
Health Connections of Castle Rock, Inc.	323 Metzler Dr	# 105	Castle Rock	CO	80104	Kristin Adams	(303) 663-3702

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Sollis, LLC	15446 E Orchard Rd		Centennial	CO	80016	Forrest Burdue	(720) 529-3500
Denver West Wellness LLC	14650 W Colfax Ave	# 120	Denver	CO	80401	John Fornarola	(720) 636-7446
Peak Views Massage, LLC	12482 Ken Caryl Ave	# A-5	Littleton	CO	80127	Laura Nachbur	(303) 979-0822
Health Connections of Lone Tree, Inc.	10008 Commons St	# 150	Lone Tree	CO	80124	Kristin Adams	(720) 770-8225
Creekside, LLC	765 E South Boulder Rd	# 100	Louisville	CO	80027	Janine Londa	(303) 666-4000
Schwieder Zola Corporation	18551 E Main St	# 1B	Parker	CO	80134	Craig Zola	(303) 805-1902
High Plains Assets LLC	14694 Orchard Pkwy	# 900	Westminster	CO	80023	Freedom Carlson	(303) 450-3033
11/11, Inc.	290 West Main St	Route 44	Avon	CT	06001	Michael Burnham	(860) 516-5999
MEB Enterprises, Inc.	2 Chestnut Street		Branford	CT	06405	Mary Ellen Beaudreault	(203) 433-3696
	2173 Black Rock Tpke		Fairfield	CT	06825	Howard Zegelstein	(203) 923-2303
MEB Enterprises, Inc.	496 S Broad St	# J	Meriden	CT	06450	Mary Ellen Beaudreault	(203) 599-0273
Flaggship Franchise Incorporated	86 Danbury Rd		Ridgefield	CT	06877	Junius F Brown IV	(203) 361-9575
Timeus Holdings LLC	5030 Champion Blvd	# D7	Boca Raton	FL	33496	Javier Rodriguez Miranda	(561) 241-6690
Backstretch-South Florida, LLC	1229 N University Blvd		Coral Springs	FL	33071	Louise Casper	(954) 757-2939
Ivanworks Wellness, LLC	9523 S Dixie Hwy		Pinecrest	FL	33156	Hector Morales	(305) 504-8092
Allenic Enterprises, LLC	1905 NW Federal Hwy		Stuart	FL	34994	Alessandra Bergman-Nicolini	(772) 247-0202
	8109 Cooper Creek Blvd		University Park	FL	34201	Cheryl Badiali	(941) 366-1168
Total Vitality, Inc.	625 W. Crossville Rd	# 102	Roswell	GA	30075	Joseph Rosen	(678) 981-8139
KRT Massage, LLC	1001 Hudson Rd	# B	Cedar Falls	IA	50613	Kyle Thompson	(319) 277-1392
Refresh Yourself, LLC	3065 S Bown Way		Boise	ID	83706	Carly Opheim	(208) 331-9900
Restorative Touch Inc.	3516 N Government Way		Coeur D'Alene	ID	83815	Mike Davis	(208) 966-4397
CO2 Wellness, LLC	1505 S Eagle Rd	# 100	Meridian	ID	83642	Carly Opheim	(208) 888-9922
Palm Ventures, LLC	2519 Waukegan Rd	# 111	Bannockburn	IL	60015	Suzanne Rossi	(847) 607-8362
Elements Bloomingdale LLC	142 S Gary Ave	# 104	Bloomingdale	IL	60108	Dan Benson	(630) 894-5500
	1160 S Michigan Ave		Chicago	IL	60605	Gregory Clark	(312) 436-2408
Big Girls Wellness I, LLC	7239 Madison St		Forest Park	IL	60130	Jean Erhardt	(708) 406-6474

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
MGB Wellness III, LLC	507 S 3rd St	# C	Geneva	IL	60134	Gary Burge	(630) 232-7335
PD Enterprises, LLC	2789 Pfingsten Rd		Glenview	IL	60026	Kelly Gervin-Razier	(224) 261-8133
AG Wellness Group, LLC	395 W NW Hwy		Palatine	IL	60067	Dan Benson	(847) 963-1600
Tri Elements, Inc.	33 S NW Hwy		Park Ridge	IL	60068	Ralph Epifanio	(847) 430-3800
MNM Healing Hands, Inc.	100 W Higgins Rd	# L-4	South Barrington	IL	60010	Maria Mercola	847-410-1935
CSMEF Enterprises, LLC	701 N Milwaukee Ave.	#180	Vernon Hills	IL	60061	Chandrika Farrell	(224) 505-2525
South Loop Roosevelt, LLC	4700 Gilbert Ave	# 45	Western Springs	IL	60558	Gregory Clark	(708) 505-4513
AG Wellness Group, LLC	371 Town Sq		Wheaton	IL	60189	Dan Benson	(630) 871-4580
Serisani, LLC	1001 W 75th St	# 131	Woodridge	IL	60517	Anita Sheth	(630) 910-3400
Summit City Healing LLC	10020 Lima Rd		Fort Wayne	IN	46818	Judy Gatton	(260) 739-3823
JJ & AH Holdings, LLC	3965 E 82nd St		Indianapolis	IN	46240	Jordan Hesterhagen	(317) 222-5641
Smith Rundle Florence, LLC	6805 Houston Rd	# 400	Florence	KY	41042	Michael Rundle	(859) 282-1726
JBMTHREE, INC.	1301 Herr Ln		Louisville	KY	40222	James McArthur	(502) 412-9383
Simon the Cat Inc.	13303 Shelbyville Rd	# 102	Louisville	KY	40223	Andrew Pryor	(502) 244-7660
Harmony & Wellness Group LLC	149 Great Rd		Acton	MA	01720	Pierre Richard	(978) 493-5900
Periodic Tables of Andover, Inc	209 N Main St		Andover	MA	01810	Ron Levin	(978) 475-2266
Revitalize, LLC	693 Belmont St		Belmont	MA	02478	Janice Soto Santiago	(617) 484-3400
The Freedom Wellness Group, Inc.	45 Enon St	# 1 Bldg 2	Beverly	MA	01915	Pierre Richard	(978) 921-1144
BW Wellness, LLC	233 Broad St	# 21	Bridgewater	MA	02324	Matthew Lanuto	(508) 807-1913
Tranquilo Wellness, LLC	101 Cambridge St	# 260	Burlington	MA	01803	Ron Levin	(781) 270-4433
Meldrum Wellness Canton LLC	95 Washington St		Canton	MA	02021	Harlan Carere	(781) 562-1919
Pioneer Valley Wellness, Inc.	80 Center Sq		East Longmeadow	MA	01028	John Pantera	(413) 525-4456
Marmich LLC	379 Russell St		Hadley	MA	01035	Mark Cornelius	(413) 341-0050
MA Wellness, LLC	1810 Washington St	# 7	Hanover	MA	02339	Matthew Lanuto	781.421.6652
HM Wellness, LLC	1 Shipyard Dr		Hingham	MA	02043	Matthew Lanuto	(781) 740-3160
AJD Ventures II LLC	333 School St	Bldg B	Mansfield	MA	02048	Andrew Dudka	(508) 339-0709
Meldrum Wellness Marlborough LLC	197D Boston Post Rd W	Rte 20	Marlborough	MA	01752	Harlan Carere	(508) 485-3300

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Tissandier Corp.	40 High St		Medford	MA	02155	Isabella Wiryo	(781) 391-4900
Topaz Wellness Group LLC	92 S Main St	Rte 114	Middleton	MA	01949	John LaSpisa	(978) 774-6100
Under Oak Therapeutic Massage of Needham, LLC	855 Highland Ave		Needham	MA	02494	Matthew Simpson	(781) 444-5544
Infinity Wellness Group, LLC	45 Storey Ave		Newburyport	MA	01950	Matthew Perry	(978) 358-7233
Meldrum Wellness Plymouth LLC	74 Long Pond Rd		Plymouth	MA	02360	Harlan Carere	(508) 732-9797
Namaste Wellness LLC	190 Broadway St		Saugus	MA	01906	Scott Speicher	781.558.2926
AJD Ventures Inc.	100 Boston Tpke		Shrewsbury	MA	01545	Andrew Dudka	(508) 925-5100
H2O Stoneham, LLC	200-A Main St	Rte 28	Stoneham	MA	02180	Ann Hargraves	(781) 438-4110
JK Enterprises LLC	435 Paradise Rd		Swampscott	MA	01907	Janice Soto Santiago	(781) 584-8470
Meldrum Wellness Tewksbury LLC	1555 Main St	# 101	Tewksbury	MA	01876	Harlan Carere	(978) 319-4584
Meldrum Wellness Wayland LLC	400 Boston Post Rd	Wayland Town Center	Wayland	MA	01778	Harlan Carere	(508) 358-2700
Revitalize, LLC	1290 Washington St		West Newton	MA	02465	Janice Soto Santiago	(617) 467-6072
Tranquility Wellness Group LLC	9 Cornerstone Sq	# 800 Bldg E	Westford	MA	01886	Pierre Richard	(978) 577-5700
MGC Ventures, LLC	6708 Wisconsin Ave	#206	Bethesda	MD	20815	Rick Coe	(240) 534-2338
Elements of Maryland, LLC	1702 Transportation Dr		Crofton	MD	21114	Cheryl Stewart	(410) 451-6777
Elements of Maryland, Inc.	3059 Solomons Island Rd	# D	Edgewater	MD	21037	Cheryl Stewart	(410) 571-5112
PHB Enterprises, Inc.	2442 Broad Ave		Timonium	MD	21093	Harry Barrick	(410) 252-8800
Massage Therapy of Michigan LLC	755 E Maple Rd		Birmingham	MI	48009	John Weber	(248) 988-8900
Kharas, Inc.	6846 Rochester Rd		Troy	MI	48085	Kashmira Kharas	(248) 828-0088
Body Energy L.L.C.	10165 Hennepin Town Rd		Eden Prairie	MN	55347	Sarah Watua	(952) 405-6220
Prehab, Inc.	3519 Hazelton Rd		Edina	MN	55435	Julia Thompson	(952) 835-8649
LiveActive L.L.C.	6001 Shady Oak Rd	# 150	Minnetonka	MN	55343	Julia Thompson	(952) 405-6990
Ketch4, Inc.	2100 Snelling Ave N	# 66B	Roseville	MN	55113	Thomas Ketchmark	(651) 356-8297
Marsalu, Inc.	5640 W 36th St	# E	St. Louis Park	MN	55416	Simon Foster	952.222.3000
Wellness 360, LLC	8150 Coller Way	# 100U	Woodbury	MN	55125	Julia Thompson	(651) 433-7171
TRC Holdings, LLC	133 Hilltown Village Ctr		Chesterfield	MO	63017	Jeffrey Cox	(314) 594-1111

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Zaban Corporation	6650 Clayton Road		Richmond Heights	MO	63117	Amy Zaban	314.455.5200
	6223 Mid Rivers Mall Dr		St. Peters	MO	63304	Thomas Street	(636) 875-1972
Quercus Enterprises, LLC	5041 Arco St		Cary	NC	27519	Dawn Gartman	(919) 342-4722
Mark Little Enterprises, Inc.	4722-D Sharon Rd		Charlotte	NC	28210	Mark Little	(704) 556-2006
Superior Touch Therapy Group, LLC	273 Loudon Rd	# 2	Concord	NH	03301	Jackie Martinez	(603) 290-5806
Infinity Wellness 360 LLC	2 Cellu Dr		Nashua	NH	03063	Matthew Perry	(603) 943-8611
Infinity 521, LLC	775 Lafayette Rd		Portsmouth	NH	03801	Matthew Perry	(603) 559-9014
Superior Touch Therapy Group, LLC	315C S Broadway		Salem	NH	03079	Jackie Martinez	(603) 898-0045
Northeastern Wellness Solutions, Inc.	475 High St	#1-A	Somersworth	NH	03878	Jodi Clary	(603) 841-3227
Rogo Brothers Inc.	1586 Kings Hwy N		Cherry Hill	NJ	08034	Kevin Knapp	(856) 888-2323
Earth in your Soul, LLC	170 Rte 206 S		Chester	NJ	07930	Samantha Mazura	(908) 888-2071
Alexander Funding Group LLC	2441 New Jersey Hwy		Manasquan	NJ	08736	Alexander Farganis Sr	(732) 800-3022
Dragoncare Holdings LLC	496 Bloomfield Ave		Montclair	NJ	07042	Joseph Thorton	(973) 509-1119
Sole to the Ground, LLC	1767 Rte 10	# 6	Morris Plains	NJ	07950	Emily Slager	(973) 993-0990
JP Global Ventures Limited Liability Company	1260 Springfield Ave		New Providence	NJ	07974	Jay Pila	(908) 464-1860
JP Massage Nutley Limited Liability Company	244 Franklin Ave		Nutley	NJ	07110	Jay Pila	(973) 542-8449
JGN Massage LLC	650 Union Blvd		Totowa	NJ	07512	Jill Clarvit	(973) 256-7700
JudKo Corporation	8000 Paseo Del Norte NE	# B3	Albuquerque	NM	87122	Stephanie Juddo	(505) 856-3556
MBTST Body LLC	2970 Saint Rose Pkwy	# 130	Henderson	NV	89052	Sandra Nelson	(702) 243-3386
Legacy Wellness, LLC	7060 S Durango Dr	# 113	Las Vegas	NV	89113	Christine Sauter	(702) 389-6480
MBTST Corporation	1215 S Fort Apache Rd	# 150	Las Vegas	NV	89117	Sandra Nelson	(702) 487-6677
Legacy Wellness, LLC	7901 W. Tropical Pkwy	#110	Las Vegas	NV	89149	Christine Sauter	(702) 333-1451
Ruffigan Enterprises Inc.	5 Southside Dr		Clifton Park	NY	12065	Robert Hanks	(518) 245-9505
Sadie Mae, Inc.	5989 Transit Rd	#200	East Amherst	NY	14051	Sarah Elia	(716) 262-9506
4 & 7 Inc.	2437 Merrick Road	#B	Merrick	NY	11710	Melissa Catalano	(516) 900-1515
Napa Bound Inc.	824 Fort Salonga Rd		Northport	NY	11768	Richard DeSantis	(631) 651-5700

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Melissa Miller Enterprises Inc.	316A Sunrise Hwy		Rockville Centre	NY	11570	Melissa Catalano	(516) 544-4400
DeMar 13, LLC	42 E Main St		Smithtown	NY	11787	Ryan DeMarco	(631) 406-6611
E & C Wellness, LLC	1 N Broadway		White Plains	NY	10601	Ed Lachterman	(914) 479-5072
NEO Wellness, LLC	35638 Detroit Rd	# 105	Avon	OH	44011	Colleen Davis	(440) 787-3344
Helping Hands Massage Therapy, LLC	3195 Dayton Xenia Rd		Beavercreek	OH	45434	Lisa Zucco	(937) 401-8511
A Couple of Days, Inc.	7753 Beechmont Ave	# 100	Cincinnati	OH	45255	Kelley Day	(513) 231-1214
Helping Hands Massage Therapy, LLC	4171 Weaverton Ln		Columbus	OH	43219	Lisa Zucco	(614) 429-4888
Because We Holdings, LLC	7657 Crile Road		Concord	OH	44077	Stephen Kopshaw	(216) 278-7755
Helping Hands Massage Therapy, LLC	1040 Miamisburg Centerville Rd	# B2	Dayton	OH	45459	Lisa Zucco	(937) 401-8501
Helping Hands Massage Therapy, LLC	6788 Perimeter Loop Rd		Dublin	OH	43017	Lisa Zucco	(614) 429-1592
Helping Hands Massage Therapy LLC	3804 Fishinger Blvd		Hilliard	OH	43026	Lisa Zucco	(614) 777-0222
A Couple of Days, Inc.	9321 Mason-Montgomery Rd		Mason	OH	45040	Kelley Day	(513) 445-3377
PMBD Garrett Inc.	7594 Cox Ln		West Chester	OH	45069	Pamela Garrett	(513) 755-1192
Hazzard Enterprises, L.L.C.	1321 N Bryant Ave		Edmond	OK	73034	Michele Hazzard	(405) 216-5252
Hazzard Enterprises, L.L.C.	2133 W 15th St		Edmond	OK	73013	Michele Hazzard	(405) 341-2399
	3533 W Memorial Rd		Oklahoma City	OK	73134	Tobi Brock	(405) 418-4544
Elements Plus, LLC	5519 NW Expy		Warr Acres	OK	73132	Tobi Brock	(405) 470-7300
Seattle MFR, LLC	2167 NW 185th Ave		Hillsboro	OR	97124	Glenda Poletti	(503) 336-3456
RF Heikens Enterprises, Inc.	3 Monroe Pkwy	# 100U	Lake Oswego	OR	97035	Roger Heikens	(503) 387-3205
Kardas, Inc.	1229 NW Marshall St		Portland	OR	97209	Andrew Kardas	(503) 841-5984
Serviam Wellness, Inc.	21370 SW Langer Farms Pkwy	# 138	Sherwood	OR	97140	Rick Snook	(503) 625-6247
Serviam Wellness, Inc.	22000 Willamette Dr	# 107	West Linn	OR	97068	Rick Snook	(503) 722-8888
	8695 SW Jack Burns Blvd	# E	Wilsonville	OR	97070	Kevin Bier	(503) 427-2698
GeoPants Group Inc.	3060 W Tilghman St		Allentown	PA	18104	Todd George	(610) 674-6791
D5 Enterprises Inc.	88 S 32nd St		Camp Hill	PA	17011	Larry Oakes	717-303-3032

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
D5 Enterprises Inc.	5072 Jonestown Rd		Harrisburg	PA	17112	Larry Oakes	(717) 746-6277
My Wealth, Inc.	301 Horsham Rd	# B	Horsham	PA	19044	Kevin Robins	(267) 282-4215
Renovare LLC	6416 Carlisle Pike	# 3200	Mechanicsbu rg	PA	17050	Hannah Cantore	(717) 766-2280
D & J Blough Enterprises, L.P.	12085 Perry Hwy		Wexford	PA	15090	John Blough	(724) 940-2244
Green Pathways, Inc.	1025 Woodruff Rd	# A103	Greenville	SC	29607	Lynn Cuddihee	(864) 288-1996
Sightline Holdings, Inc.	1153 Oakland Market Rd		Mount Pleasant	SC	29466	William Lindquist	(843) 352-9111
MWS Wellness, LLC	782 Old Hickory Blvd	# 113	Brentwood	TN	37027	Michael Schenck Jr	(615) 730-6806
MWS Wellness, LLC	539 Cool Springs Blvd	# 140	Franklin	TN	37067	Michael Schenck Jr	(615) 771-0003
ONU Massage, LLC	533 N Thompson Ln		Murfreesbor o	TN	37129	David Fedak	(615) 410-7700
The Kramer Group, LLC	2148 Bandywood Drive	#111	Nashville	TN	37215	Tom Drew	(615) 813-4045
DVD BIS, LLC	945 W Stacy Rd	# 170	Allen	TX	75013	Dean Van Decker	(972) 649-4228
NextGenM3 Enterprises, Inc.	14028 N US Hwy 183	# 120	Austin	TX	78717	Levi Murray III	(512) 250-8800
DME Interests, Inc.	3001 Wildflower Dr	# 611	Bryan	TX	77802	David Ebner	(979) 774-4343
DME Interests, Inc.	3975 State Hwy 6 S	# 700	College Station	TX	77845	David Ebner	(979) 696-2000
Quantum Merit Ventures, Inc.	4843 Colleyville Blvd	# 231	Colleyville	TX	76034	David Fesperman	(817) 281-5100
Bootier Ventures, Inc.	11403 Barker Cypress Rd	# 800	Cypress	TX	77433	Annette Peltier	(281) 383-9793
EmSo II Enterprises, LLC	6025 Royal Ln	# 207	Dallas	TX	75230	David Galvanek	(214) 369-4100
Hedrick Wellness Group II, Inc.	6333 E Mockingbird Ln	# 231	Dallas	TX	75214	Stephen Hedrick	(214) 826-5100
Quantum Merit Ventures, Inc.	2550 Cross Timbers Rd	# 124/128	Flower Mound	TX	75028	David Fesperman	(972) 899-2910
EmSo III Enterprises, LLC	4350 W Main St	# 125	Frisco	TX	75033	David Galvanek	(469) 284-8296
Hanada Wellness LLC	3246 Preston Road	#300	Frisco	TX	75034	Han Phuah	(469) 305-7323
Thales International Inc.	2643 Commercial Center Blvd	# B340	Katy	TX	77494	Javier Rodriguez	(281) 394-7119
Constance Wellness Inc.	4940 TX-121	#130	Lewisville	TX	75056	Ursula Karaskiewicz	(214) 618-0750
O & O Wellness Plus, LLC	4003 N 10th St		McAllen	TX	78504	Soon Teik Ooi	(956) 618-3098
Highgarden Health LLC	5706 Hwy 6 S		Missouri City	TX	77459	Yekaterina Chovanetz	(281) 403-5300
Mandalinci Group LLC	15260 Hwy 105 W	# 125	Montgomery	TX	77356	Mehmet Mandalinci	(936) 588-0023

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
L & L Wellness Group, LLC	10223 Broadway St	# C	Pearland	TX	77584	Leticia Jimenez-Ler	(281) 940-2841
EmSo Enterprises LLC	1921 Preston Rd	# 2012	Plano	TX	75093	David Galvanek	(971) 248-3001
Hedrick Wellness Group, LLC	1475 E Beltline Rd	# 210	Richardson	TX	75081	Stephen Hedrick	(972) 231-5100
Creekside Circle Group, Inc.	9711 S Mason Rd	115	Richmond	TX	77027	Timothy Moriarty	(832) 344-5552
Quantum Merit Ventures, Inc.	603 Louis Henna Blvd	# B185	Round Rock	TX	78664	David Fesperman	(512) 298-3377
Milex Capital, LLC	10003 NW Military Hwy	# 1102	San Antonio	TX	78231	John Rackler	(210) 541-4050
Milex Capital, LLC	21019 Hwy 281 N	# 838	San Antonio	TX	78258	John Rackler	(210) 497-7770
Quantum Merit Ventures, Inc.	2750 E Southlake Blvd	# 150	Southlake	TX	76092	David Fesperman	(817) 749-0555
Boothbay Group, Inc.	13425 University Blvd	# 300	Sugar Land	TX	77479	Timothy Moriarty	(832) 500-5950
Mandalinci Group LLC	10700 Kuykendahl Rd	# I	The Woodlands	TX	77381	Mehmet Mandalinci	(832) 585-0011
Deer Mountain Massage, LLC	6910 S Highland Dr	# 7 - 8	Cottonwood Heights	UT	84121	Justin Falzone	(801) 849-0362
Wellness Now, Inc.	90 West 11400 South		Sandy	UT	84070	Hugh Washburn	(385) 501-1734
Wellness Now, Inc.	1684 W Town Center Dr	# F-1A	South Jordan	UT	84095	Hugh Washburn	(801) 937-4191
A1 LLC	44110 Ashburn Shopping Plz	# 136	Ashburn	VA	20147	John Alexander	(571) 223-1615
RVA ETM Incorporated	11709 W Broad St		Richmond	VA	23233	Stephen Butler	(804) 835-5115
Happy Beginnings Massage, LLC	122 Maple Ave W	# 2	Vienna	VA	22180	John Alexander	(703) 865-7676
Seattle MFR, LLC	10575 NE 12th St	# 17	Bellevue	WA	98004	Glenda Poletti	(425) 292-7888
Seattle MFR LLC	680 NW Gilman Blvd	# A	Issaquah	WA	98027	Glenda Poletti	(425) 427-6562
Lakeshore Studios Inc	12934 Kent Kangley Rd		Kent	WA	98030	Loy Bunch	(262) 239-3239
Northwest Massage Partners, Inc.	2902 164th St SW	# D1	Lynnwood	WA	98087	David Brown	(425) 745-2500
Fifty Holdings, Inc.	24061 SE 264th St	# M200	Maple Valley	WA	98038	Wayne Wilkinson	(425) 200-0391
Restorative Touch Inc.	83 Keene Rd		Richland	WA	99352	Mike Davis	(509) 737-1461
Jenner/Culp LLC	1200 NE 65th St		Seattle	WA	98115	Larry Culp	(206) 522-4000
Seattle MFR LLC	10021 Holman Road NW		Seattle	WA	98177	Glenda Poletti	(206) 632-8300
Cannon Sparks Massage, LLC	3209 E 57th Ave	# H	Spokane	WA	99223	Steven Sparks	(509) 448-9398
Sparks Massage LLC	101 E Hastings Rd		Spokane	WA	99218	Steven Sparks	(509) 340-3303
Restorative Touch Inc.	15412 East Sprague Avenue	#8	Spokane Valley	WA	99037	Mike Davis	(509) 928-9098
CKE Longevity, LLC	1319 NE 134th St	# 103	Vancouver	WA	98685	Regina Swartz	(360) 574-3141

Franchisee	Studio Address	Suite #	Studio City	Studio State	Studio Zip	Primary Contact	Studio Phone
Elements Elm Grove, LLC	12920 W Bluemound Rd		Elm Grove	WI	53122	Jodi Brunner	(262) 754-3850
	6317 McKee Rd		Fitchburg	WI	53719	Sherry Mix	(608) 442-7300
Ratilal Mirani Holdings Corp.	11215 N Cedarburg Rd		Mequon	WI	53092	Amita Mirani	(414) 847-2108
Elements Middleton LLC	1950 Cayuga St		Middleton	WI	53562	Sherry Mix	(608) 824-9099
ChoCo, Inc.	2804 Prairie Lakes Dr	# 102	Sun Prairie	WI	53590	Curtis Knox	(608) 834-0214
Elements Elm Grove, LLC	3005 S 108th St		West Allis	WI	53227	Jodi Brunner	(414) 455-2715
ETM Milwaukee, LLC	312 E Silver Spring Dr		Whitefish Bay	WI	53217	Aimee Matchette	(414) 332-3260

EXHIBIT D2

FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR

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

Former Studio City	Former Studio State	Former Franchisee	Primary Contact	Primary Contact Phone	Reason for Change
Foley	AL	DJCS, LLC	Diana Skelton	(251) 709-9801	Terminated*
Irvine	CA	Net+Positive Corp.	Aaron Miller	(714) 679-1013	Terminated*
Atlanta	GA	3 Lobes, Inc.	Tarares Chambless	(404) 822-0869	Terminated
West Hartford	CT		Mary Ellen Beaudreault	(203) 260-8372	Agreement Terminated; Never Opened*
Stamford	CT		Mary Ellen Beaudreault	(203) 260-8372	Agreement Terminated; Never Opened*
Milford	CT	MEB Enterprises, Inc.	Mary Ellen Beaudreault	(203) 260-8372	Agreement Terminated; Never Opened*
Indianapolis	IN	MBRG Canvas Holdings LLC	William Van Valer	(317) 915-0943	Transferred
Bridgewater	MA	Endless Equilibrium Brookline, Inc.	Rosemary McLaughlin	(617) 448-2816	Transferred
Hingham	MA	Endless Equilibrium Hingham, Inc.	Rosemary McLaughlin	(617) 448-2816	Transferred
Andover	MA	North Shore Therapy, LLC	Frank Roe	(978) 258-9872	Transferred
Edison	NJ	Because We Edison LLC	Stephen Kopshaw	(201) 445-2269	Terminated
Morris Plains	NJ	NILU Wellbeing LLC	Nina Amidon	(201) 369-6294	Transferred
Riverdale	NJ	Stratispheric, Inc.	Theodore Stratis	(201) 419-8921	Terminated*
Montgomery	OH	Smith Rundle Wellness, LLC	Michael Rundle	(513) 233-5346	Terminated
Northeast Portland	OR		Karn Thapar	(310) 77-3006	Agreement Terminated; Never Opened*
Mechanicsburg	PA		Debbie Fasnacht	(717) 241-4248	Transferred
Ashburn	VA	Ellie Ments Wellness Ashburn VA LLC	James Pallotta	(703) 919-0194	Transferred
West Allis	WI	Balanced Zenergy, LLC	Shannon Bragg	(414) 477-3304	Transferred

*/ Indicates franchisee voluntarily terminated franchise.

EXHIBIT D3

LIST OF FRANCHISES SOLD BUT NOT YET OPENED AS OF DECEMBER 31, 2019

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

Studio Territory	Studio State	Franchisee	Primary Contact	Primary Contact Phone
Delray Beach	FL	Allenic Enterprises, LLC	Alessandra Bergman-Nicolini	(702) 525-2322
Naples	FL	R & L of Naples, LLC	Ralph Epifanio	(847) 692-2411
West Palm Beach	FL	SamMax Wellness LLC	Allan Chabon	(704) 996-7899
Schaumburg	IL	AG Wellness Group, LLC	Dan Benson	(630) 335-4465
Boston Manchester DMA	MA	Meldrum Wellness, Inc.	Harlan Carere	(617) 480-7103
Boston Manchester DMA (18)	MA	Meldrum Wellness, LLC	Harlan Carere	(617) 480-7103
Boston Manchester DMA (20)	MA	Meldrum Wellness, LLC	Harlan Carere	(617) 480-7103
Boston Manchester DMA (21)	MA	Meldrum Wellness, LLC	Harlan Carere	(617) 480-7103
Central Montgomery County (1)	MD	MGC Ventures, LLC	Rick Coe	(240) 534-2338
Central Montgomery County (2)	MD	MGC Ventures, LLC	Rick Coe	(240) 534-2338
Minnetonka	MN	Marsalu, Inc.	Simon Foster	(612) 328-1403
Plymouth, MN	MN	Marsalu, Inc.	Simon Foster	(612) 328-1403
New York	NY		Elizabeth Godsil	(615) 624-2585
Columbus-Polaris	OH	Helping Hands Massage Therapy, LLC	Lisa Zucco	(513) 494-1931
South Columbus	OH	Helping Hands Massage Therapy, LLC	Lisa Zucco	(513) 494-1931
State College PA	PA		Lauren Catalano	(814) 639-0344
Mansfield	TX		Davinder Singh	(817) 375-5860
San Antonio	TX		Ali Madlani	(646) 492-0173
Southwest Dallas	TX		Yanhong “Nicole” Isenberg	(214) 577-2428
Southwest Dallas (2)	TX		Yanhong “Nicole” Isenberg	(214) 577-2428
Southwest Dallas (3)	TX		Yanhong “Nicole” Isenberg	(214) 577-2428
Southwest Dallas (4)	TX		Yanhong “Nicole” Isenberg	(214) 577-2428
Park City	UT	Park City Massage LLC	Justin Falzone	(978) 500-9002
Alexandria, Potomac Yards, Pentagon City	VA	Stratus Wellness LLC	George Armendariz	(240) 577-0051
Alexandria, Potomac Yards, Pentagon City (2)	VA	Stratus Wellness LLC	George Armendariz	(240) 577-0051
Alexandria, Potomac Yards, Pentagon City (3)	VA	Stratus Wellness LLC	George Armendariz	(240) 577-0051
Cascade Park East	WA	CKE Longevity, LLC	Regina Swartz	(360) 771-4721
Leschi, Seattle	WA	Lakeshore Studios Inc	Loy Bunch	(206) 691-8642

EXHIBIT E

FINANCIAL STATEMENTS OF

ELEMENTS THERAPEUTIC MASSAGE, LLC

Elements Therapeutic Massage, LLC

Consolidated Financial Statements

December 31, 2019

Elements Therapeutic Massage, LLC

Contents

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

Independent Auditor's Report

To the Board of Directors and Members
Elements Therapeutic Massage, LLC

We have audited the accompanying consolidated financial statements of Elements Therapeutic Massage, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Elements Therapeutic Massage, LLC and its subsidiaries as of December 31, 2019 and 2018 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the Company adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, using the full retrospective adoption method. Our opinion is not modified with respect to this matter.

To the Board of Directors and Members
Elements Therapeutic Massage, LLC

Other Matter

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Elements Therapeutic Massage, LLC and its subsidiaries as of and for the year ended December 31, 2017 were audited by EKS&H LLLP, whose report dated March 12, 2018 expressed an unqualified opinion on those statements.

Plante & Moran, PLLC

March 13, 2020, except for the subsequent events disclosure included in Note 14,
as to which the date is March 25, 2020

Elements Therapeutic Massage, LLC

Consolidated Balance Sheets

December 31, 2019, 2018, and 2017

	2019	2018 (As Adjusted)	2017 (As Adjusted)
Assets			
Current Assets			
Cash	$ 2,361,352	$ 2,136,864	$ 1,826,975
Accounts receivable - Net	1,936,037	1,800,546	1,640,902
Notes receivable	-	-	271,764
Deferred franchise costs	122,895	117,715	110,756
Prepaid and other	270,527	1,386,740	1,052,662
Total current assets	4,690,811	5,441,865	4,903,059
Property and Equipment - Net	1,016,068	642,794	82,324
Goodwill	15,675,074	15,559,714	11,773,796
Intangible Assets - Net	11,048,819	10,417,733	8,430,599
Other Noncurrent Assets			
Due from affiliates	14,434,669	16,555,305	-
Deferred franchise costs, less current portion	792,787	846,063	897,783
Total assets	**$ 47,658,228**	**$ 49,463,474**	**$ 26,087,561**
Liabilities and Members' Equity			
Current Liabilities			
Accounts payable	$ 33,859	$ 77,389	$ 74,233
Accrued expenses	477,595	349,061	720,730
Accrued marketing expenses	491,258	339,922	569,987
Due to affiliates	-	2,786,117	639,584
Current portion of long-term debt	166,822	176,700	-
Deferred revenues - Company-owned studios	1,825,437	1,741,680	-
Deferred revenues - Franchise related	289,925	255,526	234,954
Deferred rent	64,365	41,818	-
Total current liabilities	3,349,261	5,768,213	2,239,488
Long-term Debt - Net	15,902,532	16,854,080	-
Line of Credit	1,294,038	-	-
Other Noncurrent Liabilities			
Deferred revenues - Franchise related, less current portion	1,963,816	1,886,244	1,801,701
Deferred tax liabilities	2,305	2,199	2,390
Total liabilities	22,511,952	24,510,736	4,043,579
Members' Equity			
Members' equity	25,172,044	24,995,094	22,055,260
Accumulated other comprehensive loss	(25,768)	(42,356)	(11,278)
Total members' equity	25,146,276	24,952,738	22,043,982
Total liabilities and members' equity	**$ 47,658,228**	**$ 49,463,474**	**$ 26,087,561**

See notes to consolidated financial statements.

Elements Therapeutic Massage, LLC

Consolidated Statements of Operations

Years Ended December 31, 2019, 2018, and 2017

	2019	2018 (As Adjusted)	2017 (As Adjusted)
Revenues			
Royalties	$ 10,691,484	$ 9,893,539	$ 8,744,777
Franchise fees	409,500	698,847	560,116
Marketing fund revenues	7,061,345	6,914,359	5,432,677
Technology and other revenues	982,770	957,065	927,592
Company-owned studio revenues	5,945,866	2,991,108	-
Total revenues	25,090,965	21,454,918	15,665,162
Operating Expenses			
Franchise-related costs	982,819	1,443,404	1,966,659
Payroll	6,226,663	3,418,187	1,408,227
Advertising and promotion	554,392	419,755	115,651
Marketing fund expenses	7,061,345	6,914,359	5,432,677
General and administrative	2,388,785	1,974,742	424,444
Rent and occupancy	643,177	340,293	-
Depreciation and amortization	2,061,553	1,656,322	1,280,860
Management fees	5,871,967	1,886,000	2,137,000
Studio closure costs	160,940	-	-
Total operating expenses	25,951,641	18,053,062	12,765,518
Operating (Loss) Income	(860,676)	3,401,856	2,899,644
Nonoperating (Income) Expense			
Interest income	-	-	(15,954)
Foreign exchange loss (gain)	1,968	(13,453)	21,498
Interest expense	1,460,406	475,475	-
Total nonoperating expense	1,462,374	462,022	5,544
Consolidated Net (Loss) Income	(2,323,050)	2,939,834	2,894,100
Other Comprehensive Income (Loss) - Foreign currency translation adjustment	16,588	(31,078)	27,215
Comprehensive (Loss) Income	**$ (2,306,462)**	**$ 2,908,756**	**$ 2,921,315**

Elements Therapeutic Massage, LLC

Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2019, 2018, and 2017

Balance - December 31, 2016	$ 19,397,727
Cumulative effect of change in accounting principle (Note 3)	(275,060)
Net income	2,894,100
Other comprehensive income - Translation adjustment	27,215
Balance - December 31, 2017 (as adjusted)	22,043,982
Net income	2,939,834
Other comprehensive loss - Translation adjustment	(31,078)
Balance - December 31, 2018 (as adjusted)	24,952,738
Net loss	(2,323,050)
Contribution of member equity	2,500,000
Other comprehensive income - Translation adjustment	16,588
Balance - December 31, 2019	**$ 25,146,276**

Elements Therapeutic Massage, LLC

Consolidated Statements of Cash Flows
Years Ended December 31, 2019, 2018, and 2017

	2019	2018 (As Adjusted)	2017 (As Adjusted)
Cash Flows from Operating Activities			
Net (loss) income	$ (2,323,050)	$ 2,939,834	$ 2,894,100
Adjustments to reconcile net (loss) income to net cash from operating activities:			
Depreciation and amortization	2,061,553	1,656,322	1,280,860
Interest expense	1,379,304	443,752	-
Loss on studio closure	236,907	-	-
Provision for bad debt	81,787	90,272	10,000
Amortization of debt issuance costs	81,102	31,723	-
Deferred rent	(26,923)	41,818	-
Changes in operating assets and liabilities:			
Accounts receivable	(284,245)	(249,916)	(595,702)
Deferred franchise costs	48,096	52,611	(288,817)
Prepaid and other	116,213	(312,970)	(1,015,376)
Accounts payable	(43,530)	3,156	30,206
Accrued expenses	29,534	(379,519)	29,111
Accrued marketing expenses	151,336	(230,065)	306,392
Deferred revenues	195,728	103,731	517,733
Net cash provided by operating activities	1,703,812	4,190,749	3,168,507
Cash Flows from Investing Activities			
Payments on notes receivable	-	-	24,724
Purchases of property and equipment	(699,244)	(180,362)	(3,500)
Cash paid for studio acquisition	-	(2,993,937)	-
Repurchase of area territories	(1,500,000)	(2,828,236)	(4,381,198)
Net cash used in investing activities	(2,199,244)	(6,002,535)	(4,359,974)
Cash Flows from Financing Activities			
Contributions	2,500,000	-	-
Amounts (advanced to) received from affiliates	(1,793,275)	2,146,533	976,300
Net cash provided by financing activities	706,725	2,146,533	976,300
Effect of Exchange Rate Changes on Cash	13,195	(24,858)	21,993
Net Increase (Decrease) in Cash	224,488	309,889	(193,174)
Cash - Beginning of year	2,136,864	1,826,975	2,020,149
Cash - End of year	**$ 2,361,352**	**$ 2,136,864**	**$ 1,826,975**

Supplemental Disclosure of Cash Flow Information

During 2017, the Company repurchased an area director franchise agreement, of which $205,614 was a reduction in notes receivable (see Notes 5 and 7).

During 2018, the Company repurchased an area director franchise agreement, of which $271,764 was a reduction in notes receivable (see Notes 5 and 7).

During 2018, the Company acquired seven studios. As part of this acquisition, the Company recorded $483,000 of property and equipment, $21,108 of deposits, and $1,743,064 of deferred revenues (see Note 4).

During 2019, the Company repurchased an area director franchise agreement. A total of $1,000,000 was paid during 2018 and recorded in prepaid and other; the remaining $1,500,000 was paid in 2019. A portion of the consideration transferred included waived fees on future franchise agreements and transfers of franchise agreements valued at $99,000, which was recorded to goodwill and contingent liabilities.

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2019, 2018, and 2017

Supplemental Disclosure of Noncash Activity

During 2019, the Company assumed $251,510 of additional debt, net of debt issuance costs, through a joint and several liability arrangement with its parent and affiliates (see Note 8). Interest accrued during the year of $1,379,304 was included as a reduction in due from affiliates.

During 2018, the Company assumed $17,669,981 of debt, net of $626,749 of debt issuance costs, through a joint and several liability arrangement with its parent and affiliates (see Note 8). Interest accrued during the year of $443,752 was included as a reduction in due from affiliates.

Elements Therapeutic Massage, LLC

Notes to Consolidated Financial Statements

Note 1 - Nature of Business

Elements Therapeutic Massage, LLC ("Elements US") is in the business of franchising and operating massage studios in the United States and Canada. Elements US was incorporated on August 4, 2006 in the state of Delaware.

Elements Massage Franchise Canada Ltd. ("Elements Canada") is a wholly owned subsidiary of Elements US. Elements Canada was organized in the province of British Columbia, Canada on October 17, 2013 and is primarily engaged in the business of selling franchises to own and operate massage studios in Canada.

Elements Corporate Ventures, LLC ("ECV") is a wholly owned subsidiary of Elements US. ECV was incorporated on March 7, 2018 in the state of Delaware for the purpose of acquiring and operating the company-owned massage studios. Elements US, Elements Canada, and ECV together are known as "Elements" or the "Company."

While operating eight company-owned studios corporately, the primary focus of the Company is franchising the right to own and operate Elements studios. An Elements massage studio typically consists of five to eight massage rooms and a reception area in a retail space providing massage and related services in an atmosphere of calm and relaxation.

The Company franchises the right to franchisees to open massage studios. Each studio franchisee pays the Company an initial franchise fee and royalties equal to a percentage of revenues received, per the franchise agreement. The Company previously also entered into area director franchise agreements for the right to develop territories that were limited in area or number. Each area director pays an initial area director franchise fee to the Company and has the right to receive up to half of the initial franchise fee and royalties received from each studio developed in his or her territory. Both the studio franchise agreement and the area director agreement are typically for a term of 10 years and are renewable after the initial term. Studio franchise agreements are renewable for an additional fee.

At December 31, 2019, 2018, and 2017, the Company had franchise and company-owned studios operating in 34 states and one province in Canada. At December 31, 2019, the Company had no area directors. At December 31, 2018, the Company had one area director agreement covering one state, which was repurchased during 2019.

During 2018, the Company began operating massage studios. It acquired seven franchised studios (see Note 4) and opened one company-owned location. During 2019, the Company opened one company-owned studio and closed one company-owned studio. The company-owned Elements studios are primarily for innovation and testing of programs benefiting the Elements brand.

The Company is a wholly owned subsidiary of WBZ Investment LLC (the "Parent"), with a portion owned indirectly through a subsidiary, WellBiz Brands, Inc. ("WellBiz"). At December 31, 2019, the Parent also owns WBZ Holdings, Inc. ("Holdings"); Fitness Together Franchise, LLC ("Fitness Together"); Amazing Lash Franchise, LLC ("Amazing Lash"); Wellness and Vitality Exchange, LLC ("WAVE"); and FTHC Operating Company ("Gift Cards"). The Parent provides funds for operational needs of the Company. The operating results of the Company could vary significantly if it operated independently of the Parent, Holdings, Fitness Together, Amazing Lash, WAVE, and Gift Cards. Accordingly, this affiliation and other related party disclosures must be taken into consideration in reviewing the accompanying consolidated financial statements.

Note 1 - Nature of Business (Continued)

The following table summarizes the number of studios in operation and the number of studios sold but not yet operational:

	2019	2018	2017
Studios open at beginning of year	246	246	234
Studios opened during the year	12	6	20
Studios closed during the year	(7)	(6)	(8)
Studios in operation at end of year	251	246	246
Studios sold but not yet operational	28	29	27
Company-owned studios in operation	8	8	-

Note 2 - Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Elements US and its wholly owned subsidiaries, Elements Canada and ECV. All material intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

The Company's revenues mainly consist of royalties, franchise fees, marketing fund revenues, technology fees, and company-owned studio revenues. The Company franchises the right to franchisees to open massage studios. The initial term of the franchise agreements is typically 10 years with an option to renew for a fee or transfer the franchise agreement to a new or existing franchisee, at which point a transfer fee is typically paid.

The Company has obligations to provide franchisees with the franchise rights to open and operate massage studios, as well as to provide software and technology services, brand marketing and advertising support (primarily through the marketing and production fund and the managed marketing fund, as noted below), local marketing and advertising support, and grand opening services, for which fees are charged. The Company has concluded that providing local marketing and advertising support and grand opening services are each distinct performance obligations and that the remainder of the performance obligations represent a single performance obligation. Therefore, initial franchise fees for each franchise agreement and the fixed technology fees are allocated to each individual franchisee and recognized over the term of the respective franchise agreement from the date the agreement is executed. Renewal fees are recognized over the renewal term for the respective franchise from the start of the renewal period. Transfer fees are recognized over the remaining term of the franchise agreement beginning at the time of transfer. Income for royalties and brand marketing fees are recognized over the term of the respective franchise agreement as the underlying sales occur. Fees for local marketing and advertising support and grand opening services are recognized at a point in time when the Company performs the services for which the fees were collected.

When a franchise agreement is terminated voluntarily by the franchisee or due to the default of the franchisee, the Company recognizes the remaining initial franchise fee as revenues earned, as no further performance obligations need to be satisfied and the initial franchise fee is not refundable per the franchise agreement.

The company-owned studios generate revenues from the sale of massage sessions or packages and other related services and products. Each service and product sold to customers is considered a distinct performance obligation. Revenues from massage sessions and other related services and products are recognized at a point in time over the contract term as services and products are provided or when sessions or packages expire.

Note 2 - Significant Accounting Policies (Continued)

The Company sells gift cards online and in the franchise and company-owned studios. The Company does not charge administrative fees on unused gift card balances and the gift cards have no expiration date. Gift card sales are recorded as deferred revenues when sold and are recognized as revenues when redeemed by customers for service. Gift card breakage is recognized under the proportional method when the Company determines a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction does not exist. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company recognizes gift card breakage by applying its estimate of the rate of gift card breakage on a pro rata basis over the period of estimated redemption. The Company recognized approximately $136,000 and $67,000 of breakage revenues related to gift cards in 2019 and 2018. No breakage revenues related to gift cards were recognized in 2017.

Payment Terms

Initial franchise, renewal, and transfer fees are due and typically paid when a franchise agreement is executed and are nonrefundable. Royalties and brand marketing and advertising fees are paid on a monthly basis based upon a percentage of franchisee gross sales. Technology and local marketing and advertising fees are paid on a monthly basis based upon a fixed amount defined within the franchise agreement. Franchise fees are collected prior to the satisfaction of the Company's performance obligation, resulting in the Company recognizing deferred revenues contract liabilities. See Note 5 for information about financing provided to franchisees.

Revenues from the sale of massage sessions and other related services and products are paid for at the time of sale at the company-owned studios.

Amounts that are expected to be recognized as revenues within one year are classified as current deferred revenues in the consolidated balance sheets. Deferred revenues at January 1, 2017 were $1,390,920.

Allocating the Transaction Price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for providing franchisees the franchise rights to open and operate studios to provide customers with massage sessions and other related services and products. To determine the transaction price, the Company considers its customary business practices and as the terms of the underlying agreement. For the purpose of determining transaction prices, the Company assumes performance obligations will be satisfied as promised in accordance with franchise agreements and that the agreements will not be canceled or modified.

The Company's franchise agreements with franchisees have transaction prices that contain a fixed and variable component. Variable consideration includes revenues related to royalties and brand marketing and advertising fees, as the transaction price is based on the franchisees sales. The variable consideration is recognized based on the actual amounts incurred each month.

The Company allocates consideration to providing local marketing and advertising support and grand opening services based on a cost-plus margin basis. The remaining consideration is allocated to the franchise right.

Costs to Obtain a Franchise Agreement

The Company typically incurs commission expenses paid to employees and referral expenses paid to third parties to obtain franchise agreements with franchisees. These expenses are related to franchise fee revenues, which are recognized over time. As a result, the expenses are capitalized as deferred franchise costs and are expensed over the term of the respective franchise agreement. During the years ended December 31, 2019, 2018, and 2017, the amounts expensed related to costs to obtain a franchise agreement were $161,723, $205,683, and $250,339, respectively.

Note 2 - Significant Accounting Policies (Continued)

Marketing and Production Fund Revenues

The Company collects marketing and production fund fees. Marketing fund monies are used to broadly promote the brand and include, but are not limited to, the creation of marketing and promotional material, development and maintenance of websites for the franchise system, and market research. Marketing and production fund fees are collected on a monthly basis, based upon a percentage of franchisee gross sales. The Company recognizes this sales-based marketing fund contribution from franchisees when the underlying franchisee sales occur. The total marketing fund revenues earned for the years ended December 31, 2019, 2018, and 2017 were $2,136,626, $1,903,739, and $1,555,724, respectively, and are included in marketing fund revenues on the accompanying consolidated statements of operations. The Company records the related marketing expenses as incurred under marketing fund expenses on the accompanying consolidated statements of operations. When revenues of the marketing and production fund exceed the related expenses, marketing expenses are accrued up to the amount of revenues. As of December 31, 2019, 2018, and 2017, $386,682, $106,560, and $359,629, respectively, was included in accrued marketing expenses on the consolidated balance sheets.

Managed Marketing Revenues

The Company collects managed marketing fees for brand and digital lead marketing. Managed marketing fund revenues are fixed monthly fees recognized on a straight-line basis over the franchise duration. The total managed marketing revenues earned for the years ended December 31, 2019, 2018, and 2017 were $4,817,911, $4,814,962, and $3,749,168, respectively, and are included in marketing fund revenues on the accompanying consolidated statements of operations. The Company records the related marketing expenses as incurred under marketing fund expenses on the accompanying consolidated statements of operations. When revenues of the managed marketing fund exceed the related expenses, marketing expenses are accrued up to the amount of revenues. As of December 31, 2019, 2018, and 2017, $0, $179,279, and $168,567, respectively, was included in accrued marketing expenses on the consolidated balance sheets.

Initial Marketing Revenues

During 2017, the Company began collecting initial grand opening marketing fees. These were funds previously required to be expended by the franchisees for initial studio opening that the Company is now collecting and spending in support of the franchisees. The total initial marketing revenues earned for the years ended December 31, 2019, 2018, and 2017 were $106,808, $195,658, and $127,785, respectively, and are included in marketing fund revenues on the accompanying consolidated statements of operations. The Company records the related marketing expenses as incurred under marketing fund expense on the accompanying consolidated statements of operations. When revenues of the initial marketing fund exceed the related expenses, marketing expenses are accrued up to the amount of revenues. As of December 31, 2019, 2018, and 2017, $104,576, $54,083, and $41,791, respectively, was included in accrued marketing expenses on the consolidated balance sheets.

Use of Estimates

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

Foreign Currency Translation

Assets and liabilities of the Company’s foreign subsidiary are translated into U.S. dollars at the rate of exchange in effect at the close of the period. Income and expenses are translated at an average rate of exchange for the period. The aggregate effect of translating the financial statements is included in other comprehensive income.

Note 2 - Significant Accounting Policies (Continued)

Foreign Currency Exchange

The expression of assets and liabilities in a foreign currency amount gives rise to exchange gains and losses when such obligations are paid in United States dollars. Foreign currency exchange rate adjustments (i.e., differences between amounts recorded and actual amounts owed or paid) are reported in the consolidated statements of operations as the foreign currency fluctuations occur.

Concentration of Credit Risk

The Company grants credit in the normal course of business to franchisees related to the collection of royalties and marketing related fees. In select cases, credit is issued for initial franchise fees and area director franchise fees. The Company periodically performs credit analyses and monitors the financial condition of the franchisees to reduce credit risk.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily consist of royalties, marketing production fund, and managed marketing from franchisees. The Company considers a reserve for doubtful accounts based on the creditworthiness of franchisees. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on specific identification and historical performance that are tracked by the Company on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. The Company had an allowance of $50,464, $52,104, and $19,266 as of December 31, 2019, 2018, and 2017, respectively.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided utilizing the straight-line method over the estimated useful lives, ranging from 3 to 10 years. Capital projects in progress consist of costs for projects that have not been placed into service and are not being depreciated.

Intangible Assets

Intangible assets consist primarily of franchise agreements, a trade name, noncompete agreements, and reacquired rights.

Franchise Agreements

Acquired franchise agreements are recorded based upon the fair value of these assets at the date of the change in control. The agreements are being amortized over their estimated useful lives, which is approximately six years.

Trade Name

The Company has determined that its trade name has an indefinite life; accordingly, this asset is not being amortized but is subject to impairment.

Noncompete Agreements

The noncompete agreements are being amortized over their estimated useful lives, which is approximately three years.

Notes to Consolidated Financial Statements

Note 2 - Significant Accounting Policies (Continued)

Reacquired Rights

The Company regularly enters into agreements to repurchase select territories held by area directors or the rights to a portion of future royalties owed to area directors under master franchise agreements. The reacquired master franchise rights are recorded as an intangible asset, measured at the fair value of the remaining contractual term of the rights at the date of acquisition. Any excess consideration paid over the value of the reacquired right is recorded as goodwill, all of which is expected to be deductible for tax purposes. The reacquired franchise rights are amortized over the remaining life of the contract. If the terms of the contract that give rise to a reacquired right are favorable or unfavorable relative to similar market transactions, a settlement gain or loss is recognized. The Company has determined that the terms of the contracts are consistent with similar market transactions; accordingly, no settlement gain or loss was recorded for the years ended December 31, 2019, 2018, or 2017. During 2018, the Company also purchased seven franchised studios and repurchased of all franchise rights that had been previously granted to the franchisees. The reacquired franchise rights from studio acquisitions were recorded as intangible assets, measured at the fair value of the remaining contractual term of the rights at the date of acquisition (see Note 4).

Goodwill

The recorded amounts of goodwill from business combinations and territory buybacks are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized, but rather is assessed at least on an annual basis for impairment. The annual impairment test can be performed using an assessment of qualitative factors in determining if it is more likely than not that goodwill is impaired. If this assessment indicates that it is more likely than not that goodwill is impaired, then the Company performs the next step of impairment testing by comparing the fair value of the Company to the carrying value. The Company performed a qualitative assessment for 2019 annual impairment evaluation and determined that goodwill was not impaired. No impairment charge was recognized during the years ended December 31, 2018 and 2017.

Impairment or Disposal of Long-lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Upon review of the Company's long-lived assets, no impairments were recorded for the years ended December 31, 2019, 2018, and 2017.

Debt Issuance Costs

Debt issuance costs were incurred by the Company in connection with the assumption of the joint and several liability debt. These costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

Deferred Rent Obligation

The Company entered into various operating lease agreements for the company-owned studios during 2018 and 2019. The Company records monthly rent expense equal to the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation, which is reflected as a separate line item in the accompanying consolidated balance sheets.

Note 2 - Significant Accounting Policies (Continued)

Income Taxes

Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. Elements Canada files a federal income tax return in Canada. Current and deferred tax obligations or benefits for Elements Canada are allocated to the Company.

Advertising Expense

Advertising expense is charged to income during the year in which it is incurred. Advertising expense for the years ended December 31, 2019, 2018, and 2017 was $554,392, $419,755, and $115,651, respectively. Company-owned studio advertising expense is included in the above and was $381,082 and $214,545 for the years ended December 31, 2019 and 2018, respectively.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which will supersede the current lease requirements in Accounting Standards Codification ("ASC") 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending December 31, 2021 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. Upon adoption, the Company will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as the Company has a minimal number of leases, and the recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Company-owned Studio Revenues

Company-owned studio revenues consist primarily of member and nonmember session fees charged to customers at Element's company-owned studios. Studio revenues are recognized as services are provided. Amounts received by the Company prior to services being provided are included in deferred revenues - company-owned studios on the accompanying consolidated balance sheets. Memberships billed and collected for monthly services and gift cards purchased before the service is performed are included in deferred revenues - company-owned studios on the accompanying consolidated balance sheets.

Note 3 - Adoption of New Accounting Pronouncement

As of January 1, 2019, the Company adopted Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The ASU is based on the principle that revenues are recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Company adopted the new standard using the full retrospective method to all contracts effective January 1, 2017. Full retrospective adoption requires entities to apply the standard retrospectively to all periods presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of retained earnings to the earliest period presented.

Elements Therapeutic Massage, LLC

Notes to Consolidated Financial Statements

Note 3 - Adoption of New Accounting Pronouncement (Continued)

The adoption of this amendment changed the timing of recognition of initial franchise fees, including renewal and transfer fees. Previously, these fees were generally recognized upfront upon either opening of the respective franchise, termination of the respective franchise agreement, when a renewal agreement became effective, or upon transfer of a franchise agreement. The new guidance generally requires these fees to be recognized over the term of the related franchise agreement.

The adoption of this amendment also changed the timing of recognition of commissions, broker fees, and referral expenses related to the franchise sales. Commissions, broker fees, and referral expenses are considered a cost to obtain a contract. Previously, these costs were recognized when the related studio was opened. The new guidance generally requires these costs to be recognized over the term of the related franchise agreement.

The adoption of this amendment also changed the timing of recognition of marketing fund revenues and expenses, primarily for the managed marketing fund and marketing and production fund. The Company previously only recorded revenues up to the amount of marketing fund collections spent during the year. When marketing funds were over- or underspent at year end, the Company previously recorded prepaid or accrued marketing fund expenses, respectively, on the consolidated balance sheets. The new guidance generally requires these fees to be recognized either over the term of the related franchise agreement or as the underlying sales that they relate to occur. Marketing fund expenses are recognized during the year when incurred. Under the new guidance, when revenues of marketing funds exceed the related expenses, the Company accrues marketing expenses up to revenues recorded.

The following financial statement line items for fiscal years 2019, 2018, and 2017 were affected by the change in accounting principle:

Consolidated Statements of Operations

	2019			2018			2017		
	As Computed Under Old Method	As Reported Under New Method	Effect of Change	As Computed Under Old Method	As Reported Under New Method	Effect of Change	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Franchise fees	$ 467,087	$ 409,500	$ (57,587)	$ 746,856	$ 698,847	$ (48,009)	$ 1,391,423	$ 560,116	$ (831,307)
Marketing fund revenues	7,013,687	7,061,345	47,658	7,218,087	6,914,359	(303,728)	5,193,647	5,432,677	239,030
Franchise-related costs	997,803	982,819	(14,984)	1,436,031	1,443,404	7,373	2,367,737	1,966,659	(401,078)
Advertising and marketing fund expenses	7,514,893	7,615,737	100,844	7,637,841	7,334,114	(303,727)	4,797,570	5,548,328	750,758
General and administrative expenses	2,388,785	2,388,785	-	1,974,742	1,974,742	-	936,172	424,444	(511,728)
Net (loss) income	(2,227,261)	(2,323,050)	(95,789)	2,995,217	2,939,834	(55,383)	3,324,329	2,894,100	(430,229)

Consolidated Balance Sheets

	2019			2018			2017		
	As Computed Under Old Method	As Reported Under New Method	Effect of Change	As Computed Under Old Method	As Reported Under New Method	Effect of Change	As Computed Under Old Method	As Reported Under New Method	Effect of Change
Deferred franchise costs	$ 114,314	$ 122,895	$ 8,581	$ 101,704	$ 117,715	$ 16,011	$ 153,800	$ 110,756	$ (43,044)
Prepaid and other	323,713	270,527	(53,186)	1,386,740	1,386,740	-	1,052,662	1,052,662	-
Deferred franchise costs, less current portion	99,318	792,787	693,469	175,008	846,063	671,055	160,300	897,783	737,483
Deferred revenues - Franchise related	421,176	289,925	(131,251)	202,720	255,526	52,806	319,694	234,954	(84,740)
Deferred revenues - Franchise related, less current portion	327,240	1,963,816	1,636,576	491,312	1,886,244	1,394,932	317,233	1,801,701	1,484,468
Members' equity	26,002,737	25,146,276	(856,461)	25,713,410	24,952,738	(760,672)	22,749,271	22,043,982	(705,289)

Note 4 - Studio Acquisitions

During 2018, the Company acquired seven Elements studios from different franchisees and opened one on its own. Total cash consideration paid for the acquisitions was $2,993,937. The Company made these acquisitions for the innovation and testing of programs benefitting the Elements brand. The goodwill recognized in these transactions is the result of a premium paid to acquire all studios within the certain market as a whole through a series of transactions. The goodwill will not be amortized and is deductible for tax purposes. The transaction was recorded under the purchase method of accounting.

Note 4 - Studio Acquisitions (Continued)

The following table summarizes the acquisition date fair values of the assets acquired and liabilities assumed:

Current assets	$ 21,108
Noncurrent assets	483,000
Current liabilities	(1,685,614)
Reacquired franchise rights	441,141
Total identifiable net assets	(740,365)
Goodwill	3,734,302
Total	$ 2,993,937

Reacquired franchise rights arising from the above studio acquisitions will be amortized on a straight-line basis over their estimated remaining lives, which is approximately seven years.

During 2019, a measurement period adjustment was required, which increased goodwill and decreased accounts receivable by $66,967.

Note 5 - Notes Receivable

Notes receivable at December 31, 2019, 2018, and 2017 consist of the following:

	2019	2018	2017
Notes receivable for initial franchise fees and initial area director franchise fees financed by the Company, with interest at 6 percent, due upon various specified terms in the agreements. Paid in full during 2018	$ -	$ -	$ 271,764
Less current portion	-	-	271,764
Long-term portion	$ -	$ -	$ -

During 2017, the Company entered into an agreement with an area director to repurchase a Texas territory. As part of the purchase price, there was a reduction in notes receivable of $205,614, as noted in Note 7.

During 2018, the Company entered into an agreement with an area director to repurchase a Massachusetts territory. As part of the purchase price, there was a reduction in notes receivable of $271,764, as noted in Note 7.

Note 6 - Property and Equipment

Property and equipment at December 31, 2019, 2018, and 2017 summarized as follows:

	2019	2018	2017
Software	$ 346,153	$ 230,383	$ 208,263
Leasehold improvements	754,000	424,978	-
Furniture and equipment	270,992	216,267	-
Capital projects in progress	51,101	-	-
Total cost	1,422,246	871,628	208,263
Accumulated depreciation and amortization	406,178	228,834	125,939
Net property and equipment	$ 1,016,068	$ 642,794	$ 82,324

Note 6 - Property and Equipment (Continued)

The Company purchases property and equipment and incurs costs for leasehold improvements for its company-owned studios. Depreciation and amortization expense on property and equipment for the years ended December 31, 2019, 2018, and 2017 was $192,341, $102,892, and $46,960, respectively.

Note 7 - Intangible Assets

Intangible assets of the Company at December 31, 2019, 2018, and 2017 are summarized as follows:

	2019		2018		2017	
	Gross Carrying Amount	Accumulated Amortization and Exchange Rate Adjustment	Gross Carrying Amount	Accumulated Amortization and Exchange Rate Adjustment	Gross Carrying Amount	Accumulated Amortization and Exchange Rate Adjustment
Amortized intangible assets:						
Franchise agreements	$ 4,342,000	$ (2,817,131)	$ 4,342,000	$ (2,196,845)	$ 4,342,000	$ (1,576,560)
Noncompete agreements	147,988	(147,988)	147,891	(132,355)	148,110	(95,153)
Reacquired rights	10,692,703	(2,705,373)	8,192,702	(1,471,982)	4,651,561	(576,226)
Total amortized intangible assets	15,182,691	(5,670,492)	12,682,593	(3,801,182)	9,141,671	(2,247,939)
Unamortized intangible assets - Trade names	1,537,000	(380)	1,537,000	(678)	1,537,000	(133)
Total amortized and unamortized intangible assets	$ 16,719,691	$ (5,670,872)	$ 14,219,593	$ (3,801,860)	$ 10,678,671	$ (2,248,072)

Amortization expense in the amount of $1,869,212, $1,553,430, and $1,233,900 was recognized on the franchise agreements, noncompete agreements, and reacquired rights during the years ended December 31, 2019, 2018, and 2017, respectively.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2020	$ 1,853,676
2021	1,853,676
2022	1,517,688
2023	1,233,390
2024	1,193,842
Thereafter	1,859,927
Total	$ 9,512,199

Note 7 - Intangible Assets (Continued)

Reacquired Rights from Area Directors

Periodically, the Company repurchases territories held by area directors or the rights to a portion of future royalties under master franchise agreements. The master franchise agreements entitled the area directors to a portion of certain revenues generated in the territories, which will now be retained wholly by the Company. The valuation technique utilized in the acquisition considered the trailing 12 months' royalties from the territories as a basis for the anticipated royalty stream over the remaining life of the contract. There were no acquisition-related costs for the years ended December 31, 2019, 2018, and 2017.

The Company entered into a repurchase agreement for the Maine, Massachusetts, New Hampshire, and Vermont territory that was consummated on January 1, 2018 for $3,000,000. A total of $1,000,000 was paid during 2017 and was included in prepaid and other. The remaining $2,000,000 was paid at closing in 2018, net of a reduction in notes receivable of $271,764. The fair value of the remaining contractual term of the agreement is $3,000,000, which is recognized as a reacquired right and amortized over the remaining contractual life.

A California territory repurchase agreement was consummated on August 1, 2018 for $100,000 in exchange for a lump-sum cash payment plus additional considerations around transfer and renewal fees. The fair value of the remaining contractual term of the agreement is $100,000, which was recognized as a reacquired right. The additional contingent considerations were considered to be immaterial to the Company.

The Arizona territory repurchase agreement was consummated on January 1, 2019 for $2,500,000 cash consideration plus additional considerations around future franchise and transfer fees. A total of $1,000,000 was paid during 2018 and was recorded in prepaid and other. The remaining $1,500,000 was paid at closing in 2019. The fair value of the remaining contractual term of the agreement is $2,500,000, which was recognized as a reacquired right and amortized over the remaining contractual life. The additional noncash considerations for future franchise and transfer fees valued at $99,000 were recognized as goodwill and contingent consideration liability.

Note 8 - Long-term Debt

Joint and Several Liability Debt Agreement

On September 12, 2018, the Parent along with certain of its subsidiaries, including the Company, entered into a credit agreement (the “Credit Agreement”) to obtain a $50,000,000 term loan to purchase substantially all of the assets and assume certain liabilities of ALS Cosmetics Supply, LLC ("ALSC") and Amazing Lash Studio Franchise, LLC (“ALSF”). The term loan bears interest at 5.50 percent plus the London Interbank Offered Rate ("LIBOR") (7.29 and 7.93 percent at December 31, 2019 and 2018, respectively). The debt requires quarterly principal payments of $125,000, with interest starting at December 31, 2018 and a balloon payment due at maturity on September 12, 2024, and is collateralized by substantially all of the assets of the Company. The Company is liable for the entire amount of the debt on a joint and several basis. As of December 31, 2019, the total outstanding balance of the debt was $49,375,000, and the Company recognized a liability and corresponding amounts due from affiliates for its agreed-upon portion of $16,069,354, net of debt issuance costs of $404,274. As of December 31, 2018, the total outstanding balance of the debt was $49,875,000, and the Company recognized a liability and corresponding amounts due from affiliates for its agreed-upon portion of $17,030,780, net of debt issuance costs of $595,026.

Note 8 - Long-term Debt (Continued)

As part of the Credit Agreement entered in 2018, as described above, the Parent along with certain of its subsidiaries, including the Company, also obtained a revolving line of credit and a delayed draw term loan. The revolving line of credit has a credit limit of $5,000,000, bears interest at LIBOR plus 5.5 percent (7.29 and 7.93 percent at December 31, 2019 and 2018, respectively), and matures on September 12, 2024. The outstanding balance on this line of credit is $4,000,000 as of December 31, 2019, in addition to the amount issued under a letter of credit of $1,000,000, which reduced the amount available under the revolving line but is not recorded as debt. The Company recognized a liability and corresponding amounts due from affiliates for its agreed-upon portion of $1,294,038. The outstanding balance on this line of credit was $1,960,000 as of December 31, 2018, in addition to the amount issued under a letter of credit of $1,000,000, which reduced the amount available under the revolving line but is not recorded as debt. The Company recognized a liability and corresponding amounts due from affiliates for its agreed-upon portion of $0. The delayed draw term loan has a credit limit of $20,000,000, bears interest at LIBOR plus 5.50 percent (7.29 percent and 7.93 percent at December 31, 2019 and 2018, respectively), and matures on September 12, 2024. During 2019, the Parent along with certain of its subsidiaries, excluding the Company, drew on the loan. As of December 31, 2019, the balance of the term loan was $13,541,645, and the Company did not recognize a liability for the draw. The delayed draw loan did not have an outstanding balance as of December 31, 2018.

Interest expense in the amount of $1,460,406 and $475,475 including amortization of debt issuance costs of $81,102 and $31,723, was recognized during the years ended December 31, 2019 and 2018, respectively, and accrued for through amounts due from affiliates on the consolidated balance sheets.

In the event the Company is required to make payments on the debt in excess of the agreed-upon amount, the Company could seek to recover those amounts from the Parent; however, the Company does not hold specific recourse or collateral rights in connection with the agreement.

Under the agreement, the Parent is subject to various financial covenants, including a required leverage ratio.

Note 9 - Members' Equity

The Company is a limited liability company; therefore, the members are not liable for the debts, obligations, or other liabilities of the Company, whether arising in contract, tort, or otherwise, unless the members have signed a specific guarantee. The Company has authorized 1,000 units of membership interest, all of which are held by the members. The members may, but shall not be required to, make additional capital contributions to the Company. The Company may make distributions of cash or other assets of the Company to the members at such times and in such amounts as the member shall determine. During the years ended December 31, 2019, 2018, and 2017, the Company distributed $0 to the Parent. Distributions are recorded on the consolidated statements of changes in members' equity.

The Company has authorized 1,000 units of membership interest. As of December 31, 2019, WellBiz owned 750 Class A units, and the Parent owned 250 Class B units.

Note 9 - Members' Equity (Continued)

Distribution Rights

In accordance with the member agreement, substantially all distributions to its members are to be paid out of the assets of the Company and have the following order of preference to be paid to the existing members of the Company: first, to each holder of Class A units in proportion to the number of Class A units held by such holder, until the cumulative distributions to each holder of Class A units of investment proceeds represent a 7.2 percent compounded annual rate of return on the amount of such holder's realized capital and costs; second, to each holder of Class A units and Class B units in proportion each member's unreturned realized capital and costs, until each member has received cumulative distributions of investment proceeds in an amount equal to such member's realized capital and costs; and, thereafter, 10 percent to the holders of Class A units in proportion to the number of Class A units held by each such holder and 90 percent to the holders of Class B units in proportion to the number of Class B units held by each such holder. As of December 31, 2019, the aggregate cumulative preferred dividends unpaid was $2,801,092.

Note 10 - Income Taxes

The components of the income tax provision included in the consolidated statements of operations are all attributable to continuing operations from Elements Canada and are detailed as follows:

The Company recognizes deferred tax liabilities and assets based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future periods. These amounts were determined using the enacted tax rates in effect for the period in which the differences are expected to reverse. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that are not expected to be realized based on available evidence. The Company's temporary differences result primarily from net operating loss carryforwards.

The details of the net deferred tax liability at December 31, 2019, 2018, and 2017 are as follows:

	2019	2018	2017
Deferred tax asset - Net operating loss	$ 139,808	$ 139,264	$ 148,000
Deferred tax liability - Trade names	(2,305)	(2,199)	(2,390)
Net deferred tax asset	137,503	137,065	145,610
Less valuation allowance	(139,808)	(139,264)	(148,000)
Net long-term deferred tax liability	$ (2,305)	$ (2,199)	$ (2,390)

At December 31, 2019, 2018, 2017, the Company had net operating loss carryforwards of approximately $557,000, $558,000, and $554,000, respectively, related to foreign jurisdictions available to reduce future income taxes. The net operating losses expire in periods through 2035.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on generating sufficient taxable income during the periods in which those temporary differences become deductible.

Based upon the projections for future taxable income at Elements Canada, management concluded that it does not meet the accounting criteria for recognizing a portion of its deferred tax asset; that is, estimated future taxable income does not constitute sufficient positive evidence to conclude that it is more likely than not that a portion of its net deferred tax assets would be realizable in the foreseeable future.

Note 11 - Commitments and Contingencies

Operating Leases

The Company entered into noncancelable lease agreements for company-owned studios. Rent expense paid for by the Company, including common area maintenance and pro rata share of certain expenses, during the years ended December 31, 2019 and 2018 was $601,981 and $339,766, respectively. Future minimum lease payments under these leases are as follows:

Years Ending	Amount
2020	$ 456,521
2021	468,347
2022	395,453
2023	310,939
2024	85,500
Thereafter	280,500
Total	$ 1,997,260

Litigation

The Company is named a party to a number of lawsuits in the normal course of business. The Company maintains insurance to cover certain actions. In the opinion of management, the resolution of these lawsuits will not have a material adverse effect on the Company's financial position or results of operations.

Note 12 - Related Party Transactions

The Company is a subsidiary of the Parent, which also owns Fitness Together, Amazing Lash, WAVE, Gift Cards, and WellBiz as of December 31, 2019. Based upon the cash needs of each company and the separately calculated tax liabilities, cash may transfer among the companies. The amounts transferred are recorded as an intercompany asset or liability depending on the amounts owed to or from related entities. During 2018, the Company assumed a joint and several debt from the Parent (see Note 8). The balance of this liability with the accrued interest is recorded with due from Parent.

The related party balance at December 31, 2019, 2018, and 2017 consists of the following:

	2019	2018	2017
Due from (to) WellBiz	$ -	$ 1,545,350	$ (457,613)
Due from (to) Parent	14,434,669	12,602,746	(173,993)
Due to Fitness Together	-	(378,908)	(7,978)
Total	$ 14,434,669	$ 13,769,188	$ (639,584)

Management Fees

The Company maintains a servicing agreement with WellBiz, whereby WellBiz provides certain executive, legal, administrative, and marketing services on behalf of the Company to receive management fees, including a profit margin, from the Company. The allocation methodology is based on estimated time and effort spent on the Company and the Company's financial contributions to the Parent in relation to the rest of the affiliated companies with the Parent. The resulting costs to the Company are reported as management fees on the accompanying consolidated statements of operations. For the years ended December 31, 2019, 2018, and 2017, the Company incurred expenses related to management fees of $5,871,967, $1,886,000, and $2,137,000, respectively.

Note 13 - Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation as a result of adopting ASU No. 2014-09, (see Note 3). These reclassifications had no effect on the reported results of operations. An adjustment has been made to the consolidated statements of operations for the year ended December 31, 2017 to move approximately $512,000 from general and administrative expense to marketing fund expense.

Note 14 - Subsequent Events

The Company has evaluated all subsequent events through March 25, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, most of the Company’s studios have shut down temporarily, some required and others voluntarily. Franchise and company-owned studio revenue related to nonmember services has declined as a result of the closures. The Company does not anticipate the studio closures to become permanent and expects operations to return to normal within approximately 30 to 60 days; however, the Company continues to monitor the situation. No impairments were recorded as of the consolidated balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Company’s results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

EXHIBIT F

LIST OF STATE AGENTS/AGENTS FOR SERVICE OF PROCESS

EXHIBIT F

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.

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Dept. of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559 (866) 275-2677	California Commissioner of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677
FLORIDA	Dept. of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0900 (850) 245-6000	Same
HAWAII	Dept. of Commerce & Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii Dept. of Commerce & Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, IN 46204 (317) 232-6531
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 (502) 696-5389	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner Same Address
MICHIGAN	Michigan Dept. of Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa street G. Mennen Williams Bldg., 1st Floor Lansing, MI 48913 (517) 373-7117	Michigan Dept. of Commerce Corporations & Securities Bureau P.O. Box 3054 6546 Mercantile Way Lansing, MI 48909

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
MINNESOTA	Minnesota Dept. of Commerce 85 7th Place East, Suite 500 St. Paul, MN 55101 (651) 296-6328	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Dept. of Banking & Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68505-2732 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-2171	Same
NEW YORK	New York State Dept. of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8236 Fax: (212) 416-6042	New York Secretary of State New York Dept. of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Dept. 600 East Boulevard Avenue State Capitol, 5th Floor Bismarck, ND 58505-0510 Phone: (701) 328-4712	North Dakota Securities Commissioner Same Address
RHODE ISLAND	Rhode Island Dept. of Business Regulation Securities Division John O. Pastore Center – Bldg. 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 222-3048	Director, Rhode Island Dept. of Business Regulation Same Address
SOUTH DAKOTA	South Dakota Dept. of Labor & Regulation Division of Securities 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-4823	Director of the South Dakota Division of Securities Same Address
TEXAS	Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 (512) 475-1769	Same
UTAH	Utah Dept. of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 Phone: (801) 530-6601 Fax: (801) 530-6001	Same

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
VIRGINIA	State Corporation Commission Div. of Securities & Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 E. Main Street Richmond, VA 23219 (804) 371-9672
WASHINGTON	Dept. of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director, Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501
WISCONSIN	Securities & Franchise Registration Wisconsin Securities Commission 345 W. Washington Avenue, 4th Floor Madison, WI 53703 (608) 266-3431	Wisconsin Commissioner of Securities Same Address

EXHIBIT G

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

Location:
(Studio Number: _______)

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER ("**Consent**") is made by and among **ELEMENTS THERAPEUTIC MASSAGE, LLC,** a Delaware limited liability company ("**Franchisor**"); ______________________________ ("**Seller**"); _______________________ ("**Seller Guarantor**"); and ____________________________________("**Buyer**"), effective as of the Effective Date (defined below). All terms capitalized in this Consent and not otherwise defined herein shall have the meanings ascribed to them in the Seller Franchise Agreement (defined below) or the Buyer Franchise Agreement (defined below), as the case may be.

Recitals

A. Seller is the franchisee under that certain franchise agreement dated ________________, as it may have been amended by subsequent addendum or addenda (the "**Seller Franchise Agreement**"), governing the ownership and operation of the Elements Massage® Studio located at _________________ ____ (the "**Studio**").

B. Seller Guarantor personally guaranteed all of the obligations under the Seller Franchise Agreement.

C. Seller has notified Franchisor that it and Buyer have entered into a purchase and sale agreement dated _______________________ (the "**Purchase Agreement**"), pursuant to which Seller has agreed to sell, and Buyer has agreed to purchase, all of the rights, obligations and assets relating to the Studio (the "**Interests**").

D. Buyer has also agreed to (1) assume the lease obligations for the Studio, and (2) enter into Franchisor's current form of franchise agreement (the "**Buyer Franchise Agreement**") (the transfer of Interests under the Purchase Agreement, the assumption by Buyer of the Studio's lease obligations and the execution of the Buyer Franchise Agreement, collectively referred to as the "**Transfer**").

E. Franchisor has agreed not to exercise its right of first refusal as set forth in the Seller Franchise Agreement and has agreed to approve the Transfer of the Studio in accordance with the terms, and subject to the conditions, set forth in this Consent.

Agreement

NOW, THEREFORE, for and in consideration of the foregoing recitals, which are incorporated herein, the mutual covenants contained herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Effective Date**. The "**Effective Date**" will be the date on which Franchisor signs this Consent acknowledging its consent to the proposed Transfer, which date shall be consistent with the effective date of the Buyer Franchise Agreement.

2. **<u>Purchase Agreement</u>**. Seller and Buyer represent and warrant that the form of Purchase Agreement provided to Franchisor is the final version of the Purchase Agreement and is the version which has been, or will be, executed by them to effectuate the Transfer. The Purchase Agreement will not be amended, and the terms set forth in the Purchase Agreement will not be changed, except with the prior written consent of Franchisor.

3. **<u>Conditional Consent; Release of Guaranty</u>**. As of the Closing Date, the Seller Franchise Agreement will terminate and operation of the Studio will thereafter be governed by the Buyer Franchise Agreement. Upon termination of the Seller Franchise Agreement, neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder, except that neither Seller nor Seller Guarantor shall be released from (i) any obligations to pay money owed to Franchisor under the Seller Franchise Agreement or the guaranty prior to the Closing Date or such other date as may be set forth herein; or (ii) the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including, without limitation, provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution). Notwithstanding anything in this Consent to the contrary, the consent and release set forth herein are expressly contingent upon compliance with the following terms and conditions on or before the date of the closing of the Transfer ("**Closing Date**"):

a. <u>Franchise Agreement</u>. The Seller Franchise Agreement will terminate as of the Closing Date in accordance with the terms set forth in Section 7 below, and the operation of the Studio will thereafter be governed by the Buyer Franchise Agreement.

b. <u>Payment of Amounts Due</u>. Seller will pay all amounts due and owing from Seller (or an affiliate of Seller) to Franchisor through the Closing Date.

c. <u>Transfer Fee</u>. Upon execution of this Consent by Seller and Buyer, a transfer fee in the amount of [__________] ("**Transfer Fee**") shall be paid to Franchisor via cashier's check or wire transfer. Except as described in Section 5 below, Seller and Buyer acknowledge and agree that Franchisor has earned the Transfer Fee upon receipt thereof and that the Transfer Fee is not refundable.

d. <u>Fee Deposit</u>. Upon execution of this Consent by Seller and Buyer, Seller agrees to deposit $5,000 ("**Fee Deposit**") with Franchisor via cashier's check or wire transfer. Franchisor will refund the Fee Deposit to Seller, less any amounts which may be due pursuant to Section 3.b, within thirty (30) days following the later of the Closing Date or the date upon which Seller and Buyer comply with all terms and conditions set forth in this Consent.

e. <u>Training</u>. Buyer (or, if Buyer is an entity, one of Buyer's co-owners) and, if not the same person as Buyer (or the designated co-owner), Buyer's Designated Manager (as defined in the Buyer Franchise Agreement) (or the individual having responsibility for the day-to day operations of the Studio) shall satisfactorily complete the Training Program (as defined and described in the Buyer Franchise Agreement) prior to the Closing Date.

f. <u>Right to Possession</u>. Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the the Studio by way of lease assignment and/or assumption or otherwise (with all required landlord consents), as more fully described in Section 6 below.

g. Site Selection Assistance. Buyer acknowledges and agrees that Franchisor has complied with and satisfied its obligations under the Buyer Franchise Agreement to provide site selection and development assistance.

h. Purchase Agreement. The Purchase Agreement will not be amended and the terms of the purchase transaction will not be changed except with the prior written consent of Franchisor.

i. Studio Possession. Prior to the Closing Date and changing possession and/or ownership of the Studio, Seller and Buyer shall obtain the written consent and authorization of Franchisor.

j. Seller Financing. Regardless of any provision of the Purchase Agreement (or any other agreement) to the contrary, if Seller provides financing to Buyer for any portion of the purchase price for the Studio and such financing is secured by any assets of the Studio, Seller acknowledges and agrees that Seller does not and will not have any interests or rights, revisionary or otherwise, to operate the Studio after the Closing Date pursuant to the Seller Franchise Agreement or Buyer Franchise Agreement.

k. Studio Upgrades/Renovations. Within sixty (60) days following the Closing Date, Buyer will complete the upgrades and renovations of the Studio, at Buyer's expense, as required to improve the condition and appearance of the Studio consistent with Franchisor's current System Standards and other Franchise System requirements.

4. **Waiver of Right of First Refusal**. Franchisor hereby waives its right of first refusal to purchase the Interests, as set forth in the Seller Franchise Agreement.

5. **Contingency**. This Consent and the Buyer Franchise Agreement may be terminated if:

a. The Transfer between Seller and Buyer is cancelled, or otherwise not approved by Franchisor;

b. Seller and/or Buyer fail to meet any of the conditions and/or requirements set forth in this Consent, the Seller Franchise Agreement, and/or the Buyer Franchise Agreement; or

c. Seller and Buyer fail to change possession and/or ownership of the Studio within ninety (90) days following receipt of Franchisor's written consent and authorization (as described in Section 3.i above).

In the event of such termination, Seller and Buyer will execute a termination and release agreement (in a form acceptable to Franchisor) pursuant to which Franchisor will refund the Transfer Fee, without interest; provided, however, if Buyer and/or Buyer's designated representative(s) have attended any portion of the Training Program, Franchisor will only be obligated to refund fifty percent (50%) of the Transfer Fee.

6. **Assignment/Assumption of Lease**. Seller and Buyer acknowledge that one of the requirements of Franchisor's consent is that the Studio lease be assigned to and/or otherwise assumed by

the Buyer and that the lease for the Studio may require consent of and/or notice to the landlord with respect to such assignment and/or assumption. Provided (i) Buyer takes an assignment of the existing lease for the Studio; (ii) the terms of such lease are not amended; and (iii) the lease for the Studio includes the terms of Franchisor's required lease addendum, Franchisor waives the requirement for lease review and approval set forth in the Buyer Franchise Agreement. If (i) the lease terms are amended; (ii) the lease for the Studio does not include the terms of Franchisor's required lease addendum; or (iii) Buyer enters into a new lease for the Studio, all lease review and approval requirement set forth in the Buyer Franchise Agreement shall remain applicable. Buyer acknowledges and agrees that Franchisor's approval of the Studio location and waiver of the lease review requirement or approval of the lease terms do not constitute a recommendation, endorsement, or guarantee by Franchisor of the suitability of the Studio location or the lease, and Buyer acknowledges that it has taken all steps necessary to ascertain whether the Studio location and lease are acceptable to Buyer.

7. **Termination of Seller Franchise Agreement and Guaranties**. Franchisor and Seller acknowledge and agree that, as of the Closing Date and upon the Transfer and compliance with the conditions set forth in Section 3 above, the Seller Franchise Agreement and associated guaranties will automatically terminate and neither Seller nor Seller Guarantor shall have any further rights or obligations thereunder except that neither Seller nor Seller Guarantor shall be released from:

a. any obligations to pay money to Franchisor owed under the Seller Franchise Agreement, the guaranty, or otherwise prior to the Closing Date; or

b. the provisions of the Seller Franchise Agreement that, either expressly or by their nature, survive termination of the Seller Franchise Agreement (including, without limitation, the provisions related to confidential information, post-termination restrictive covenants, indemnification, notice, governing law, jurisdiction and venue, and dispute resolution).

8. **Release of Franchisor**. Seller, Seller Guarantor, and Buyer, and each of them, on behalf of themselves and each of their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns, hereby fully and forever unconditionally release and discharge Franchisor and its current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, franchisees, area directors, parent companies, predecessors, affiliates, subsidiaries, successors, and assigns (the "**Franchisor Parties**"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown, or which may hereafter be discovered, accrued, or sustained in connection with, as a result of, or in any way arising from, any relationship or transaction with Franchisor or the Franchisor Parties, however characterized or described, including but not limited to, any claims arising from Seller's operation of the Studio, the Seller Franchise Agreement, the Buyer Franchise Agreement, the Purchase Agreement, or the transactions described in this Consent, or under any applicable state or federal franchise or other law, including the Federal Trade Commission Act, and all applicable Rules of the Federal Trade Commission promulgated pursuant to the Federal Trade Commission Act.

(If the Studio is located in California or if Seller, Seller Guarantor, or Buyer (as applicable) is a resident of California, the following shall apply):

Section 1542 Acknowledgment. Seller, Seller Guarantor, and Buyer recognize that he, she, or it may have some claim, demand, obligation, action, liability, defense, or damage against Franchisor or the Franchisor Parties of which Seller, Seller Guarantor, and Buyer are totally unaware and unsuspecting, which he, she, or it is giving up by executing this Consent. Nonetheless, it is the intention of Seller, Seller Guarantor, and Buyer in executing this Consent that this instrument, (i) be and is a general release which shall be effective as a bar to each and every claim, demand, obligation, action, liability, defense, or damage released by Seller, Seller Guarantor, and Buyer, and (ii) will deprive Seller, Seller Guarantor, and Buyer of each and every such claim, demand, obligation, action, liability, defense, or damage and prevent him, her, or it from asserting it against Franchisor or the Franchisor Parties. In furtherance of this intention, Seller, Seller Guarantor, and Buyer 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."

Seller, Seller Guarantor, and Buyer acknowledge and represent that he, she, or it has consulted with legal counsel before executing this Consent and that Seller, Seller Guarantor, and Buyer understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this Consent 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, obligations, actions, liabilities, defenses or damages.

(If the Studio is located in Maryland or if Seller, Seller Guarantor, or Buyer (as applicable) is a resident of Maryland, the following shall apply):

Any release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

9. **Non-Disparagement**. In consideration of the accommodations provided to Seller, Seller Guarantor, and Buyer, and the concessions made by Franchisor and its affiliates under this Consent, Seller, Seller Guarantor, and Buyer agree not to, and to use their best efforts to cause their respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns not to, disparage, impugn or otherwise speak or write negatively, directly or indirectly, of Franchisor or the Franchisor Parties, the Elements Massage® brand, the Elements Massage franchise system, or any other service-marked or trademarked concept of Franchisor or the Franchisor Parties, or take any other action which would subject the Elements Massage brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor, the Franchisor Parties, or the Elements Massage brand.

10. **Acknowledgment**. Buyer and Seller acknowledge that although Franchisor or its affiliates, employees, officers, directors, successors, assigns, and other representatives may have been involved in Buyer's purchase of the Interests from Seller, Buyer and Seller have assumed sole and full responsibility for making the final decision to purchase and sell the Interests and each has consulted, or has had the opportunity to consult but, of its own accord, elected not to consult, with its own legal and financial advisors. Buyer further understands that as part of analyzing the purchase of the Interests from

Seller, it is Buyer's responsibility to meet with or otherwise gather necessary information from the appropriate parties which may or may not affect Buyer's purchase of the Interests from Seller.

11. **Additional Documents**. Buyer and Seller agree to execute such additional documents as may be necessary to complete the Transfer as contemplated by the Purchase Agreement, the Seller Franchise Agreement and the Buyer Franchise Agreement.

12. **Miscellaneous Provisions**.

a. Confidentiality. Except as reasonably necessary to perform Seller's, Seller Guarantor's, or Buyer's obligations or exercise or enforce Seller's, Seller Guarantor's, or Buyer's rights under this Consent, neither Seller, Seller Guarantor, nor Buyer shall provide or disclose to any third party, or use, unless authorized in writing to do so by Franchisor or properly directed or ordered to do so by public authority or court of competent jurisdiction, any information or matter that constitutes or concerns the terms and conditions of this Consent or that regards any dealings or negotiations with Seller, Seller Guarantor, or Buyer related to this Consent.

b. Governing Law. This Consent will be construed and enforced in accordance with, and governed by, the laws of the state set forth in the Buyer Franchise Agreement.

c. Amendment. This Consent may not be modified or amended or any term hereof waived or discharged except in a writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced.

d. Headings. The headings of this Consent are for convenience and reference only and will not limit or otherwise affect the meaning hereof.

e. Controlling Provisions. In the event of any conflict between the terms of this Consent and the terms of the Seller Franchise Agreement or the Buyer Franchise Agreement, the terms of this Consent shall control.

f. Counterpart Signatures. This Consent may be executed in any number of counterparts and sent via facsimile or other electronic transmission, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

[*Signature page follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be made effective as of the Effective Date.

FRANCHISOR:
ELEMENTS THERAPEUTIC MASSAGE, LLC

By:____
Name:______________________________________
Title:_______________________________________
Date*:______________________________________

** This is the Effective Date*

SELLER:
[SELLER]

By:____
Name:______________________________________
Title:_______________________________________
Date:_______________________________________

Forwarding Address:___________________________
Forwarding Email: ____________________________
Telephone:___________________________________

SELLER GUARANTOR:
[SELLER GUARANTOR]

By:____
Print Name:__________________________________

By:____
Print Name:__________________________________

BUYER:
[BUYER]

By:____
Name:______________________________________
Title: ______________________________________
Date:_______________________________________

EXHIBIT H

FORM OF RENEWAL ADDENDUM

RENEWAL ADDENDUM TO
FRANCHISE AGREEMENT

THIS RENEWAL ADDENDUM ("Addendum") is dated as of the Effective Date (as defined below) and is attached to and made a part of that certain Franchise Agreement dated as of the same date hereof (the "New Agreement"), by and between **ELEMENTS THERAPEUTIC MASSAGE, LLC**, a Delaware limited liability company ("we" "us" or "our"), and ______________________________ ("you" or "your"). We and you shall collectively be referred to as the "Parties." All capitalized terms set forth in this Addendum and not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

Recitals

A. By way of information and background, you have been operating the Elements Massage® studio located at ___________________________ (the "Studio"), pursuant to a franchise agreement entered into by the Parties dated ___________________________, as it may have been subsequently amended (the "Original Agreement").

B. The initial term of the Original Agreement is scheduled to expire on __________________ (the "Expiration Date").

C. The Original Agreement provides that, as of the Expiration Date, you have the option to acquire a successor franchise to operate the Studio for one additional term of ten (10) years, subject to certain terms and conditions set forth therein.

D. You have notified us that you wish to exercise your option to acquire a successor franchise for an additional term of ten (10) years ("Renewal") and, in connection therewith, the Parties have agreed to make certain modifications with respect to the terms of the New Agreement, all as set forth in this Addendum.

Agreement

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other valuable consideration, receipt and sufficiency of which are acknowledged, the Parties agree as follows:

Amendment of New Agreement.

1. Section 2.A.: Site Selection. We have previously approved the Premises as required pursuant to Section 2.A. The Premises for your Studio is located at: ________________________.

2. Section 2.B.: Lease Approval. We have previously approved the lease for the Premises as required pursuant to Section 2.B. and therefore waive the requirement for lease review and approval; provided, however, if the lease terms are amended or you enter into a new lease for the Premises during the term of the New Agreement, all lease review and approval requirements set forth in the New Agreement shall remain applicable.

3. Section 2.D.: Development and Construction of Your Studio. The Parties acknowledge that the development, construction, and decoration of the Premises, as described in Section 2.D., has previously been completed.

4. Section 2.H.: Studio Opening. The Parties acknowledge that the Studio has opened for business as required pursuant to Section 2.H.

5. Section 3.A.: Initial Franchise Fee. Section 3.A. is deleted in its entirety.

6. Section 3.C.: Software Set-Up Fee. We acknowledge that you have previously paid the software set-up fee described in Section 3.C.

7. Section 4.B.: Opening Assistance. You acknowledge and agree that we have complied with our obligation under the New Agreement to provide you opening support as set forth in Section 4.B.

8. Section 9.A.: Grand Opening Spend Fee. Section 9.A. is deleted in its entirety.

9. Section 13.A.: Successor Franchise Fee. Concurrently with signing the New Agreement and this Addendum, you agree to pay us a successor franchise fee of $10,000, in the form of a lump sum payment, by wire transfer. The successor franchise fee is fully earned by us when paid by you and is not refundable under any circumstance.

10. Studio Improvements. Within sixty (60) days following the Effective Date, you will remodel and/or expand your Studio, add or replace improvements and Operating Assets (as defined in the New Agreement), and otherwise modify your Studio, at your expense, as required to comply with our current System Standards and other Franchise System requirements.

11. Original/New Agreements. As of the Effective Date, the Original Agreement will be deemed expired, and the operation of the Studio will thereafter be governed by the New Agreement.

12. Release of Franchisor. You, on behalf of yourself and your respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns, hereby fully and forever unconditionally release and discharge us and our current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, franchisees, area directors, parent companies, predecessors, affiliates, subsidiaries, successors, and assigns (the "Released Parties"), from any and all claims, demands, obligations, actions, liabilities and damages of every kind or nature whatsoever, in law or in equity, whether known or unknown to you, which you may have against the Released Parties as of the date of this Addendum, or which may thereafter be discovered, accrued, or sustained in connection with, as a result of, or in any way arising from, any relations or transactions with the Released Parties, however characterized or described.

(If the Studio is located in California or if you are a resident of California, the following shall apply):

Section 1542 Acknowledgment. It is your intention in executing this Addendum 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, and you recognize that you may have some claim, demand or cause of action against us or the Released Parties of which you are totally unaware and unsuspecting, which you are giving up by executing this Addendum. It is your intention in executing this instrument that it will deprive you of such claim, demand or cause of action and prevent you from asserting it against us or the Released Parties. In furtherance of this intention, you 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 Addendum and that you understand its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consent that this Addendum 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 Studio is located in Maryland or if you are a resident of Maryland, the following shall apply):

Any release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

13. Non-Disparagement. You agree not to, and to use your best efforts to cause your respective current and former owners, agents, principals, officers, directors, shareholders, members, partners, employees, representatives, attorneys, spouses, parent companies, predecessors, affiliates, subsidiaries, successors and assigns not to, disparage, impugn or otherwise speak or write negatively, directly or indirectly, of us or the Released Parties, the Elements Massage® brand, the Elements Massage system, or any other service-marked or trademarked concept of us or the Released Parties, or take any other action which would subject the Elements Massage brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of us, the Released Parties, or the Elements Massage brand.

14. Miscellaneous Provisions.

(a) Governing Law. This Addendum will be construed and enforced in accordance with, and governed by, the laws of the state set forth in the New Agreement.

(b) Amendment. This Addendum may not be modified or amended or any term hereof waived or discharged except in a writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced.

(c) Headings. The headings of this Addendum are for convenience and reference only and will not limit or otherwise affect the meaning hereof.

(d) Controlling Provisions. This Addendum modifies the New Agreement. In the event of any conflict between a provision of the New Agreement and this Addendum, the provisions of this Addendum shall control. Except as amended by this Addendum, the New Agreement is unmodified and in full force and effect in accordance with its terms.

(e) Counterpart Signatures. This Addendum may be executed in any number of counterparts and sent via facsimile or other electronic transmission, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum to be effective as of the Effective Date.

ELEMENTS THERAPEUTIC MASSAGE, LLC,
a Delaware limited liability company

Sign:______________________________
Name:______________________________
Title:______________________________

DATED*:__________________________
(*This is the Effective Date of this Agreement)

FRANCHISE OWNER

(IF YOU ARE A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

____
Entity Name

____
Signature

Name:______________________________

Title:______________________________

DATED:__________________________

FRANCHISE OWNER

(IF YOU ARE AN INDIVIDUAL AND NOT A LEGAL ENTITY):

____
Signature

____
Print Name

DATED:__________________________

EXHIBIT I

OPERATIONS MANUAL TABLE OF CONTENTS

ELEMENTS THERAPEUTIC MASSAGE, LLC

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT J

STATE EFFECTIVE DATES AND RECEIPTS

<u>**State Effective Dates**</u>

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

California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Exempt
Hawaii	Pending
Illinois	Exempt
Indiana	Exempt
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Exempt
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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.

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 Elements Therapeutic Massage, LLC, offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st 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.

If Elements Therapeutic Massage, LLC, does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit F.

The franchisor is Elements Therapeutic Massage, LLC, 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112, (303) 663-0880. The franchise seller for this offering is:

❑ ______________________________ Elements Therapeutic Massage, LLC 9780 South Meridian Boulevard Suite 400 Englewood, CO 80112 (303) 663-0880	❑ ______________________________ Elements Therapeutic Massage, LLC 9780 South Meridian Boulevard Suite 400 Englewood, CO 80112 (303) 663-0880	❑ Name of Franchised Seller: ______________________________ Principal Business Address: ______________________________ ______________________________

Issuance Date: March 30, 2020.

See Exhibit F for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 30, 2020 that included the following Exhibits:

Exhibit A -	State Addenda	Exhibit F -	State Agencies for Service of Process
Exhibit B -	Franchise Agreement	Exhibit G -	Agreement and Conditional Consent to Transfer
Exhibit C -	Area Development Agreement	Exhibit H-	Form of Renewal Addendum
Exhibit D1 -	List of Franchisees	Exhibit I -	Table of Contents of Operations Manual
Exhibit D2 -	Franchisees Who Left the System	Exhibit J -	State Effective Dates and Receipt
Exhibit D3 -	Franchises Sold But Not Yet Opened		
Exhibit E -	Financial Statements		

PROSPECTIVE FRANCHISEE:

If a business entity:	If an individual:
______________________________	______________________________
Name of Business Entity	Print Name: ______________________________
Signature: ______________________________	
Title: ______________________________	Dated: ______________________________
Print Name: ______________________________	(Do not leave blank)
Dated: ______________________________	
(Do not leave blank)	

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail to Elements Therapeutic Massage, LLC, 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112, or by faxing it to (720) 545-2151.

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 Elements Therapeutic Massage, LLC, offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st 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.

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Exhibit I -	Table of Contents of Operations Manual
Exhibit J -	State Effective Dates and Receipt

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 return it, by mail to Elements Therapeutic Massage, LLC, 9780 South Meridian Boulevard, Suite 400, Englewood, Colorado 80112, or by faxing it to (720) 545-2151