

Chief Financial Officer: Bryan Cotter

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

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

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

Vice President of Marketing: Leanne Mattes

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

Vice President of Merchandising: J.D. Nespoli

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

Director of Corporate Stores & Training: Brandi Healy

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

Real Estate Manager: Kurt Buehler

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

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

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

**ITEM 6**

**OTHER FEES<sup>1</sup>**

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

Type of Expenditure	Amount <sup>1</sup>	Method of Payment	When Due	To Whom Payment is to be Made
				applicable
Rent/Security Deposit <sup>4</sup>	\$5,000 to \$20,000	Lump sum	As arranged	Lessor
Equipment, Fixtures, & Supplies <sup>5</sup>	\$33,230 to \$55,000	As Arranged	As Arranged	Suppliers
Initial Inventory <sup>6</sup>	\$22,000	As Arranged	As Arranged	Human Touch
Other Inventory <sup>7</sup>	\$74,900 to \$109,000	As Arranged	As Arranged	Suppliers
Training Related Expenses <sup>8</sup>	\$2,000 to \$7,500	As Arranged	As Arranged	Vendors
Grand Opening Expenses <sup>9</sup>	\$10,000	As Arranged	During first 90 days of operation	Printers, Vendors, Media
Insurance <sup>10</sup>	\$3,000 to \$5,000	As Arranged	As Incurred	Carriers or Brokers
Exterior Signs <sup>11</sup>	\$6,600 to \$19,800	As Arranged	As Arranged	Vendors
Computer Hardware & Software <sup>12</sup>	\$3,020 to \$3,050	As Arranged	As Incurred	Vendors
Visual Merchandising Fee <sup>13</sup>	\$0 to \$4,000	Lump sum	Upon Completion of Service	Us
6 months' Additional Funds <sup>14</sup>	\$30,000 to \$60,000	As Arranged	As Incurred	Suppliers, Employees, Tradesmen
<b>ESTIMATED TOTAL<sup>15</sup></b>	<b>\$194,750 to \$419,850</b>			

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

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

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

4) You either must own or lease acceptable space to operate your RELAX THE BACK Store. The typical RELAX THE BACK store has between 2,250 and 3,000 square feet. Costs will depend on location, terms of lease (if applicable), market conditions, space and numerous other factors. The

location, but you must pay us a Visual Merchandising Fee for your subsequent stores prior to commencing operations at the subsequent stores. The Visual Merchandising Fee is payable in the following amounts: (1) \$4,000 for a new store, (2) \$3,000 if you acquire rights to an existing store that must be remodeled, or (3) \$2,000 if you acquire rights to an existing store that must be remodeled.

14) This is an estimate of the funds needed to cover certain business (not personal) expenses during the first 6 months of operation of the franchised business, such as rent, payroll, utilities, taxes, loan payments, inventory purchases and other expenses.

~~15)~~ We relied on our and our staff members' experience in compiling this estimate.

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

## ITEM 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

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

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

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

You must maintain policies of insurance issued by carriers approved by us covering various risks. We currently require comprehensive general liability insurance with not less than \$1,000,000 single limit coverage and a \$2,000,000 aggregate, and (for stores with annual Adjusted Gross Sales of \$1,000,000 or more), supplemental “umbrella” coverage of an additional \$1,000,000. You must furnish us with certificates of insurance on all insurance policies showing the coverage and payment of premiums required by your Franchise Agreement and naming us as an additional insured. We may reasonably require different and/or additional kinds of insurance at any time.

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

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

## ITEM 9

### FRANCHISEE’S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document. ~~If you enter into your Franchise Agreement as a legal entity, your owners will also be responsible for the obligations described below under the Guaranty (defined in Item 15).~~

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition / lease	3, 16.1, Exhibit 3.2 of the Franchise Agreement	Items 7 and 11
b. Pre-opening purchases/leases	3, 10.2, 10.10	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening	3	Items 6, 7, 8, and

to whom you may offer or sell outside of the Territory. You will not directly market to customers outside of your Territory, except as authorized by us in writing. Any RELAX THE BACK product catalogue made available to you by us for direct marketing purposes must be distributed by you.

### ITEM 13

#### TRADEMARKS

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

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

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

~~You will use the Marks as the sole identification for your RELAX THE BACK Store. You will not use any Mark in connection with the performance or sale of any unauthorized services or products, at any location or in any manner not expressly authorized in writing by us. No Mark (or any modified form) can be a part of any corporate or trade name. The use of any geographic or other designation in connection with the Marks requires our permission. You must display the Marks as we require and may not use them to negatively impact our goodwill. We require you to give certain trademark and other notices (including notices of independent ownership).~~

There are no presently effective determinations of the USPTO, U.S. Trademark Trial and Appeal Board, the trademark administrator or court of this or any State, nor is there any interference, opposition or cancellation proceeding or material litigation pending involving the Marks, which is relevant to their use in this or any State in which the franchise business is to be located. No agreements limit our right to use or license the use of the Marks.

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