

FRANCHISE DISCLOSURE DOCUMENT
ELEMENTS THERAPEUTIC MASSAGE, INC.
(a Delaware corporation)
9092 South Ridgeline Boulevard, Suite A
Highlands Ranch, Colorado 80129
(877) 663-0880

www.elementsmassage.com
info@elementsmassage.com



elements
massage™

Elements Therapeutic Massage, Inc. 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 initial investment necessary to begin operation of an Elements Massage studio ranges from \$211,800 to \$386,600. This includes \$52,074 that you must pay to us or our affiliates.

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 franchise agreement with, or make any payment to, the franchisor or 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, Inc. Franchise Development Department at 9092 S. Ridgeline Blvd., Suite A, Highlands Ranch, CO, (877) 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. (See Exhibit E.)

Issuance date: March 28, 2014

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS AND DISPUTES BE SETTLED BY BINDING ARBITRATION OR LITIGATION IN THE STATE IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS CURRENTLY LOCATED, WHICH IS CURRENTLY DENVER, COLORADO. OUT OF STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE OR LITIGATE WITH US IN OUR HOME STATE RATHER THAN IN YOUR HOME STATE.
2. COLORADO LAW GOVERNS THE FRANCHISE AGREEMENT AND THE RELATIONSHIP BETWEEN US AND YOU. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. IF YOU ARE A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY, OR OTHER BUSINESS ENTITY, YOUR DIRECT AND INDIRECT OWNERS WILL HAVE TO GUARANTEE YOUR OBLIGATIONS AND BE BOUND BY THE PROVISIONS OF OUR FRANCHISE AGREEMENT. YOUR SPOUSE MUST SIGN A GUARANTY CONSENTING TO ENCUMBER THE MARITAL ASSETS. THIS GUARANTY PLACES YOUR SPOUSE'S MARITAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates

STATE EFFECTIVE DATES

The following states require that the 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 Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California effective date:	April 7, 2014
Hawaii effective date:	April 4, 2014
Illinois effective date:	March 28, 2014
Indiana effective date:	March 28, 2014
Maryland effective date:	_____, 2014
Michigan effective date:	March 28, 2014
Minnesota effective date:	April 10, 2014
New York effective date:	_____, 2014
North Dakota effective date:	April 8, 2014
Rhode Island effective date:	March 31, 2014
South Dakota effective date:	March 28, 2014
Virginia effective date:	April 11, 2014
Washington effective date:	_____, 2014
Wisconsin effective date:	March 28, 2014

In all other states that do not require registration, the effective date of this Disclosure Document is the issuance date of March 28, 2014.

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. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Franchise Disclosure Document

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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,” “Franchisor,” “Elements” or “our” means Elements Therapeutic Massage, Inc. “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. Our principal business address is 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129. We conduct business under our corporate name and no others.

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

Our Business Activities

We sell franchises to own and operate Elements Massage studios (“Studios”). The Elements franchise system is a unique and comprehensive system providing 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” as well as other service marks (including those disclosed in Item 13 of this Disclosure Document), for the purpose of owning and operating a Studio.

We do not currently own or operate any Studios. We have offered franchises in the line of business disclosed in this Disclosure Document since 2006, and we have not offered franchises in any other line of business or conducted any other business. As of December 31, 2013, we had 167 Elements franchises.

Our Parent, Predecessors and Affiliates

Our parent company is WellBiz Brands, Inc., formerly named Fitness Together Holdings, Inc. (“Parent Company”). The Parent Company name change was effective in January 2013. Our Parent Company was incorporated in the State of Delaware in 2006 and conducts business under its corporate name only at its principal business location of 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129. We do not have any predecessors.

In addition to owning us, our Parent Company wholly owns Fitness Together Franchise Corporation, which is the franchisor of the Fitness Together one-on-one personal training studio system (“FT”). FT was incorporated in Arizona, began offering franchises in 1996, and has its principal place of business at the same address as ours. FT offers and sells franchises to operate one-on-one physical training studios. As of December 31, 2013, there were 207 FT franchises.

We wholly own Elements Massage Franchise Canada Ltd. (“EMFC”). EMFC operates under an Intellectual Property License Agreement with us to sell franchises to own and operate Elements Studios in Canada. EMFC was formed as a corporation on October 17, 2013, under the laws of the Canadian province of British Columbia, and has offered franchises for Elements Studios in Canada since November

11, 2013. EMFC has the same principal business location as ours. As of December 31, 2013, there were no Elements Studios franchises in Canada.

Our Parent Company also wholly owns FTTHC Operating Company, an Arizona corporation, which was incorporated in 2009 to provide services in connection with our gift card program.

FTTHC Operating Company has the same principal business location as ours.

Other than as described above, neither we, our Parent Company, nor any affiliates required to be disclosed in this Item 1 have operated any other businesses or sold or operated the franchises being offered by us and described in this Disclosure Document.

Area Directors

From October 2006 to October 2008, we offered qualified individuals franchises for the operation of area director businesses in specific territories (“Area Directors”). Starting December 12, 2013, we began offering franchises for Area Director businesses again under a separate disclosure document. Each Area Director acts as our representative, with the right to solicit and identify prospective franchisees on our behalf and provide support services to the franchisees in his or her territory. When a franchise is sold, the franchise agreement is signed by the franchisee and us. To the extent the Area Directors provide sales and support services, they are compensated with a portion of the franchise and royalty fees paid to Franchisor by franchisees in the Area Director’s territory. As the Franchisor, we are contractually responsible to you if the services are not performed as required under the Franchise Agreement.

Description of the Franchised Business

We grant to each franchisee a license to use the “Elements Massage” trademark, together with other trademarks, service marks, trade names, symbols, emblems, slogans, insignias, designs and logos, existing now or which may exist in the future (together, the “Marks”) for use in 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 standards, specifications, methods, techniques, and operating and other procedures (“System Standards”) that constitute the Franchise System. The distinguishing characteristics of the Franchise System include the Marks, the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, worksheets, originals, techniques, rules, ideas, philosophies, illustrations, course materials, the operations manual, any other manuals or materials loaned to you, and any additional manuals and materials periodically provided to you regarding the operations of your Studio (collectively, the “Operations Manual”), the System Standards, advertising and promotional materials, other audio, video and written materials, and other aspects of the Franchise System we have developed and designated for use within the Franchise System, or may acquire or develop and designate for use within the Franchise System in the future, all of which we may enhance and further develop (the “Proprietary Assets”). Our Proprietary Assets also include the client lists and other client information of each Studio. Elements Studios offer a membership program under which members, for a monthly fee, receive one massage per month.

We also offer to operators of other massage businesses who meet our criteria a franchise for the conversion of their business to a Studio. If you qualify for such a franchise, you will sign the Conversion Addendum attached as Exhibit H (the “Conversion Addendum”), together with the Franchise Agreement.

The Market and Competition

The 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.

Licenses, Permits, and Industry Regulations

Federal, state, and local labor regulations, including minimum age and wage laws, Americans with Disabilities Act and USA Patriot Act, and other laws and regulations apply to businesses generally. It is your sole and absolute obligation to research all applicable federal, state and local laws and regulations governing the operation of your Studio. You must comply with such laws and with all other laws that apply generally to all businesses. Currently there are no specific federal regulations governing the massage industry. However, many states require massage therapists to be licensed and you must ensure that the Studio and the therapists who work in your Studio comply with these requirements and any other requirements necessary to perform massage services that require additional licenses or special training. Laws vary from place to place and may include bonding and registration requirements. Other regulations may apply to site location and building construction. You must know the laws and regulations applicable to your Studio and ensure that you and your employees comply with all such laws and regulations. You are also responsible for obtaining any licenses or permits required for operating your Studio. You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations. In addition, if applicable to your Studio, it is your responsibility to implement and conform to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy laws.

ITEM 2. BUSINESS EXPERIENCE

Jeffrey L. Jervik, President and Chief Executive Officer, Director

Mr. Jervik has been our President, Chief Executive Officer, and Director since May 2008 and has held the same positions at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado.

Daniel M. Colbourne, Executive Vice President, Chief Financial Officer, and Treasurer

Mr. Colbourne has been our Executive Vice President, Chief Financial Officer, and Treasurer since September 2009 and has held the same positions at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado. From May 2008 to September 2009, Mr. Colbourne was on sabbatical.

Abigail Lee, Senior Vice President and Chief Marketing Officer

Ms. Lee has been our Senior Vice President and Chief Marketing Officer since March 2014 and has held the same positions at our Parent Company, FT, and EMFC, each in Highlands Ranch, Colorado, since that time. From August 1998 until February 2014, Ms. Lee was Vice President of Brand Marketing for Re/Max LLC in Denver, Colorado.

Kristine Fisher, Executive Vice President and Chief People Officer

Ms. Fisher has been our Executive Vice President and Chief People Officer since July 2013 and has held the same position at our Parent Company and FT since that time and for EMFC since October 2013, each

in Highlands Ranch, Colorado. From February 2013 to July 2013, Ms. Fisher served as our Executive Vice President Operations Services and held the same position at our Parent Company and FT during that time. From February 2012 to February 2013, she was Senior Vice President and Chief Operating Officer of FT. Before that, she was our Parent Company's Senior Vice President, Human Resources and Franchise Support Services from August 2009 to February 2012, Vice President of Human Resources from March 2009 to August 2009, and Senior Director, Human Resources from October 2008 to March 2009.

Scott Wendrych, Executive Vice President and Chief Development Officer

Mr. Wendrych has been our Executive Vice President and Chief Development Officer since February 2013 and has held the same position at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado. From September 2008 to February 2013, Mr. Wendrych was our Senior Vice President and Chief Sales Officer and held the same positions at our Parent Company and FT during that time.

Kristofer Nieb, Senior Vice President Sales

Mr. Nieb has been our Senior Vice President Sales since November 2010 and has held the same position at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado. From May 2007 to October 2010, he was the Director of Franchise for House of Speed Franchising in Sugar Grove, Illinois. Since April 2005, Mr. Nieb provided and continues to provide business consulting services through his company, Kris Nieb & Associates, Inc. in Arvada, Colorado. In addition, Mr. Nieb has owned K & A Services, Inc., Arvada, Colorado, from June 2000 through the present time.

Carri L. Bryan, Senior Vice President of Legal Services and Secretary

Ms. Bryan has been our Senior Vice President of Legal Services and Secretary since February 2014 and has held the same position at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado. From April 2011 to October 2013, Ms. Bryan served as Vice President of Legal Services for us, our Parent Company, and FT. From August 2005 to April 2011, Ms. Bryan was the Vice President of Litigation Management for QCE LLC, the parent company of the Quiznos Sub franchise system located in Denver, Colorado.

John Kutac, Executive Vice President and Chief Operating Officer

Mr. Kutac has been our Executive Vice President and Chief Operating Officer since July 2013 and has held the same position at our Parent Company and FT since that time and for EMFC since October 2013, each in Highlands Ranch, Colorado. From May 2011 to July 2013, Mr. Kutac was the Vice President of Operations for ClearChoice Holdings, LLC, in Greenwood Village, Colorado. From February 2003 to May 2011, Mr. Kutac was a Principal at Western Capital Partners, LLC, a mortgage and real estate loan company in Denver, Colorado.

ITEM 3. LITIGATION

Completed

Rima Roy Chakraborty ("Claimant") v. Elements Therapeutic Massage, Inc., 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 Elements were parties to a franchise agreement and a master franchise agreement, dated July 25, 2007, under which, among other things, Claimant paid Elements 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, Elements terminated Claimant's franchise agreement. Claimant further alleged that upon learning that Claimant was operating a competing business in Claimant's former Elements studio location, Elements terminated Claimant's master franchise agreement. Claimant alleged that Element'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 Elements 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 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 wrong-doing, Respondents 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. Claimants and Franchisor were parties to a master franchise agreement dated January 17, 2008 ("MFA"), under which, among other things, Claimants paid Franchisor 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 three 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 wrong-doing, Respondents paid Claimants \$75,000.

Other than the 2 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 Fees. When you sign the Franchise Agreement, you must pay us an initial franchise fee as stated below:

The initial franchise fee for 1 franchise purchased by you from us is \$49,500. The initial franchise fee for each additional franchise you purchase is \$39,500.

Veteran's Discount. We offer a veteran's discount of \$10,000 for the 1st franchise you purchase if you are a veteran.

Conversion Program. If you are signing the Conversion Addendum described in Item 1, you must pay us 50% of the then-existing initial franchise fee (currently \$24,750) when you sign the Franchise Agreement. At the time you convert your existing business to a Studio, you must pay us the balance of the initial franchise fee. You will have 180 days to convert your existing business into a Studio; however, you will pay royalties on your gross receipts that accrue beginning on the date on which your Franchise Agreement is fully executed by you and us. If you fail to convert your business into a Studio within this time period, we will have the right to terminate your Franchise Agreement and retain the non-refundable initial franchise fee.

Payment of Fees. The initial franchise fees must be paid to us as a lump sum in the form of a cashier's check or wire transfer at the time the Franchise Agreement is signed. All initial franchise fees are fully earned by us when paid by you and are not refundable under any circumstances.

We reserve the right to waive or reduce the initial franchise fee for other franchisees. In fiscal year ended December 31, 2013, we received initial franchise fees in amounts ranging from \$0 to \$49,500.

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

Set-Up and Technology Fees. You are required to pay us a \$499 set-up fee for certain initial computer hardware components and 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 2 months before opening (\$250 per month).

Construction Management Fee. In the event we approve an exception to the requirement that you utilize one of our Approved Suppliers of construction services, you are required to pay us a construction management fee of \$5,000.

Lease Review Fee. When you enter into a letter of intent for the lease of your Studio premises, you will be required to pay us or our Approved Supplier (which may be an affiliate of ours) a \$1,500 lease review fee. We will charge you only one lease review fee, unless you refuse to sign a lease that we have approved and we are then required to review other leases for the Studio location.

All initial fees are non-refundable.

ITEM 6. OTHER FEES

Type of Fee*	Amount	Due Date	Remarks
Royalty	6% of gross receipts	5 th day of each month	See Note 1
Default Fee	\$250	Upon receipt of statement	See Note 2
Dishonored Check or Insufficient Funds Fee	\$150	Upon receipt of statement	See Note 3

Type of Fee*	Amount	Due Date	Remarks
Defense or Enforcement Costs	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 4
Indemnification	All costs including attorneys' fees (variable)	Upon settlement or conclusion of a claim or other legal action	See Note 5
Collection Costs	Actual costs to collect past due or other amounts	Upon settlement or conclusion	See Note 6
Default Operation Costs (in event of your default)	Up to \$5,000 per month	1 st day of each month upon occurrence	See Note 7
Royalty Underpayments (audit)	\$600 to \$3,000 (estimated)— difference between amount reported and correct amount, plus 12% of such amount (and if understated amount is more than 2%, plus our costs (including attorneys' and accountants' fees))	Time of audit	See Note 8
Equipment, Inventory, Products and Materials (in addition to initial requirements)	Varies based on items and quantity ordered.	At time of purchase	See Note 9
Supplies or Supplier Approval	\$100 per hour	Upon request	See Note 10
Technology Fee	\$250 per month; additional \$7.50 per month per email user in excess of 4	1 st day of each calendar month	See Note 11
Computer Hardware and Software Upgrades	Varies depending on requirements	At time of upgrade	See Note 12
Changed Requirements	Varies depending on changes	Upon occurrence	See Note 13
Extension Fee	\$7,500	At the time we grant an extension to open your Studio	See Note 14
Marketing Fund	1% of gross receipts	5 th day of each calendar month	See Note 15
Ongoing Marketing Spend Requirement	The greater of 5% of gross receipts or \$3,000 - \$4,000 (depending on DMA – See Item 11)	As established	See Note 16
Marketing Cooperatives	As established	As established	See Note 17
Training (refresher)	We may require a \$500 fee and you must pay all costs for travel, meals, lodging and other expenses	If a fee is payable, before attendance at training program; costs and expenses as incurred	See Note 18

Type of Fee*	Amount	Due Date	Remarks
Insurance	Varies by coverage and provider	If you fail to obtain insurance, we may obtain it for you and you will be required to reimburse us for any premiums and other costs we incur	See Note 19
Transfer Fee	50% of the then-current initial franchise fee	Upon transfer	See Note 20
Transfer Fee Deposit	\$2,500	Upon transfer	See Note 21
Arbitration and Proceeding Costs	Our arbitration or other proceeding fees and costs plus attorneys' fees and costs if we prevail in the arbitration or proceeding	Upon conclusion of arbitration or proceeding	See Note 22
Renewal Fee	\$10,000	Upon renewal	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). We may also pay an Area Director a portion of the Royalty you pay us if your Studio is located in an Area Director's territory. 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 (or if you are converting an existing business to a Studio, the 1st full calendar month after the date you sign the Franchise Agreement). We reserve the right to collect royalties on a weekly, rather than monthly, basis upon notification to you.

If we are unable to obtain your gross receipts directly from our approved computer system used by you to record receipts, we may debit your account for an estimated royalty equal to 110% of the average of your last 3 months of gross receipts for your Studio ("Estimated Royalty"). If the Estimated Royalty we debit from your account is less than the amount you actually owe us (once we have determined your Studio's true and correct gross receipts), we will debit your account for the balance on the day we specify. If the Estimated Royalty we debit from your account is greater than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

Despite any designation you make, we may apply any of your payments to any past due amounts you owe us.

Gross receipts include all of your revenue and receipts, including those taken by cash, credit card, debit card, check, trade, barter or exchange, electronic funds transfer, or any other means of credit, which are derived from the operations of your Studio, including the sale of massage and bodywork services, merchandise, products or any other products or services sold by you, whether sold at your Studio location or from an off-site location. Gross receipts also include the gross amount of redemptions for gift cards (which may be redeemed at any Studio). Gross receipts exclude sales, use or privilege taxes paid to the appropriate taxing authority, refunds made to customers and tips received by massage therapists. In addition, should your business be interrupted for any reason and you are receiving business interruption insurance payments, the gross amount of these payments will be considered to be gross receipts and will be subject to the Royalty.

2. **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.
3. **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.
4. **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.
5. **Indemnification.** You must indemnify, defend and hold us, our affiliates, and our and their respective stockholders, members, owners, principals, directors, officers, employees, representatives and agents, harmless from any and all losses, expenses, judgments, claims, reasonable attorneys' fees and damages related to the Studio or from your breach of the Franchise Agreement. You must notify us in writing within 5 calendar days of any lawsuit, complaint or proceeding filed by or against you regarding the operation of the Studio and, upon request, must furnish us with copies of all documents related to the lawsuit, complaint or proceeding.
6. **Collection Costs.** If you withhold monies owed to us in the absence of a court order permitting you to do so, you must pay us all reasonable costs, including court costs, attorneys' fees, reasonable value for our employees' time, witness fees and travel expenses incurred in pursuing the collection of the withheld monies.
7. **Default Operation Costs (in the event of your default).** If you are in default of the Franchise Agreement and have not cured the default within the applicable cure period, we have the right to enter your Studio, to make modifications necessary to protect the Proprietary Assets, to cure any default under the Franchise Agreement or under the lease for the premises, and assume all of your rights under the lease (including making lease payments), including the right to assign or sub-lease. We shall also have the right to remove your equipment and signage. If we choose to enter and manage your business in the case of your breach of the Franchise Agreement, you must pay us a monthly fee. We have these rights whether or not your Franchise Agreement is terminated.

8. **Royalty Underpayments (audit).** If an inspection or audit of your books and records reveals that any payments due or made to us were based upon understated amounts, then, upon our demand, you must immediately 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 12% 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 inspection or audit.
9. **Equipment, Inventory, Products and Materials (in addition to initial requirements).** Periodically and as needed to restock and maintain the required equipment and inventory, you must purchase for your Studio certain inventory, equipment, products, furniture, fixtures, signs, stationary, supplies, and other items or services required or recommended by us from manufacturers, suppliers and distributors required or recommended by us, which shall include us and our affiliates. Item 8 of this Disclosure Document contains additional information about required or designated preferred providers, products and services.
10. **Supplies or Supplier Approval.** If you wish to purchase supplies that are not Approved Supplies, or purchase supplies from a supplier that is not an Approved Supplier, you must first submit your request to us for approval. We will charge you a fee to evaluate the supplies or supplier, payable upon receipt of our invoice. We may withhold approval of any supplies or suppliers for any reason.
11. **Technology Fee.** We require you to use our designated scheduling software program, the client satisfaction software, our proprietary software to maintain a website for your Studio, our key performance indicator program and the email platform we designate. (See Item 11 of this Disclosure Document for information about the required computer and client satisfaction software and your Studio website). 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 4 users; you will be required to pay an additional \$7.50 per month for each email user in excess of 4. If you want access to technologies other than email before opening, then the technology fee will accrue at the monthly rate from such time.
12. **Computer Hardware and Software Upgrades.** During the term of the Franchise Agreement, you must upgrade any hardware component or software program at any time to be compatible with the software package required by us. The cost for any upgrade will vary depending upon the upgrades required. (See Item 11 of this Disclosure Document for information about computer hardware and software upgrades.)
13. **Changed Requirements.** We may revise our System Standards and Operations Manual to implement new or different operating requirements and fees. However, no such revision will increase your royalty, contributions to the Marketing Fund, or Ongoing Marketing Spend Requirement to an amount greater than the amount provided in your Franchise Agreement. You agree to comply with any new or changed requirements and fees.
14. **Extension Fee.** You must have your Studio open and operating within 12 months from the date you sign the Franchise Agreement, unless otherwise specifically approved by us in writing. If you fail to meet this opening deadline, and wish to maintain your right to open and operate a Studio, we may, at our sole discretion, grant you a one-time, 12-month extension to open a

Studio. This one-time extension will expire automatically on the date that is 24 months after the date you sign the Franchise Agreement. In exchange for our granting you this one-time extension, you agree to execute such documents and agreements as we require, which will include our form of general release, and which may include a non-disparagement clause, and, if you have not signed a lease for your Studio's location, pay us a one-time, nonrefundable extension fee of \$7,500.

15. **Marketing Fund.** You must make contributions to a marketing fund (the "Marketing Fund") of 1% of the gross receipts of your Studio, which we will spend on preparing advertising and promotional materials and advertising, marketing and promotional programs for your Studio. You must meet the Initial Marketing Spend Requirement and the Ongoing Marketing Spend Requirement described in Item 11 of this Disclosure Document. The Ongoing Marketing Spend Requirement will include any contributions you make to the Marketing Fund and any contributions you make to a Marketing Cooperative (see below). Your required Marketing Fund and Marketing Cooperative contributions could, by themselves, exceed the minimum Ongoing Marketing Spend Requirement. (See Item 11 of this Disclosure Document for more information on advertising and marketing costs.)
16. **Ongoing Marketing Spend Requirement.** Other than the Marketing Fund contribution described above, we do not currently, but may in the future, collect other funds constituting the minimum Ongoing Marketing Spend Requirement, such as contributions to Marketing Cooperatives, for use in local, regional or national advertising or promotional programs. (See Item 11 of this Disclosure Document for more details on the Ongoing Marketing Spend Requirement.)
17. **Marketing Cooperatives.** We may establish a marketing cooperative in a geographic area in which 3 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. We may also require that you join an existing Marketing Cooperative operating in a geographic area encompassing or near your Studio. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving one vote. 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 form, modify, change, dissolve, or merge Marketing Cooperatives. (See Item 11 of this Disclosure Document for more detail on Marketing Cooperatives.)
18. **Training (refresher).** In the event we periodically provide refresher training courses or programs to our franchisees, we may require you to pay a \$500 fee per individual you designate to attend such training, and you must pay all costs for travel, meals, lodging and other expenses related to attendance at any refresher training course or program.
19. **Insurance.** You must obtain from our Approved Supplier, and retain, the required insurance coverage specified by us. If you fail to obtain or retain such insurance, we may, but are not obligated to, obtain such insurance for you and charge you the costs of the premiums, plus our reasonable costs in obtaining such insurance.
20. **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. This transfer fee must

be paid to us in a lump sum in the form of a cashier's check or wire transfer at the time of the 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.

21. **Transfer Fee Deposit.** In the event of a transfer, you must pay us a fee deposit of \$2,500. 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.
22. **Arbitration and Proceeding Costs.** The prevailing party of any arbitration or other proceeding shall be entitled to its reasonable attorneys' fees and costs.
23. **Renewal Fee.** If you are approved to renew your Franchise Agreement, you will sign the Renewal Addendum attached as Exhibit I. You must pay us a renewal fee in order to renew your Franchise Agreement in addition to executing the Renewal Addendum. The renewal fee is due upon renewal of the Franchise Agreement and is payable by cashier's check or wire transfer.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount*	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$49,500	Lump sum	Upon signing Franchise Agreement	Us
Real Property and Utility Security Deposits ²	\$3,400 - \$7,800	As arranged	As arranged, generally 2 months before opening or when lease is executed	Landlord and utility providers
Leasehold Improvements (net of landlord tenant allowances) ³	\$67,200 - \$194,000	As arranged	As arranged	Landlord and Approved Suppliers and contractors
Cabinetry and Millwork ⁴	\$7,000 - \$12,000	Lump sum	As arranged	Approved Supplier
Massage Equipment and Supplies ⁵	\$12,600 - \$16,800	Lump sum	8 weeks before opening	Approved Suppliers
Furniture, Décor and Other Equipment ⁶	\$14,200 - \$17,300	As arranged	2-3 weeks before opening	Third party suppliers
Computer Hardware and Software ⁷	\$5,900 - \$6,700 (includes \$499 software set up fee)	As arranged	4-6 weeks before opening	Us and Approved Suppliers or other third party suppliers

Type of Expenditure	Amount*	Method of Payment	When Due	To Whom Payment is to be Made
Initial Training ⁸	\$1,400 - \$4,200 (travel, meal, lodging and other expenses)	As incurred	As incurred	Third party providers
Initial Marketing Spend Requirement ⁹	\$15,000	As arranged	Up to 60 days before Studio opening and 1 st 90 days after Studio opening (180 days if you are purchasing an existing Studio)	Approved Suppliers or other third parties
Signs ¹⁰	\$6,000 - \$12,000	Lump sum	6-8 weeks before opening	Approved Suppliers
Business Licenses and Permits ¹¹	\$100 - \$1,000	As arranged	6-8 weeks before opening	Government agencies or other licensing authorities
Insurance ¹²	\$1,900 - \$2,300	As arranged	At signing of lease	Approved Supplier
Miscellaneous Opening Costs ¹³	\$3,000 - \$4,700	As incurred	As incurred	Suppliers
Lease Review Fee ¹⁴	\$1,500	As incurred	As incurred	Us or our Approved Suppliers
Additional Funds (3 months) ¹⁵	\$23,100 - \$41,800	As arranged	First 3 months of operation	Landlord, utilities providers, suppliers, other operating expenses
TOTAL ESTIMATED INITIAL INVESTMENT¹⁶	\$211,800 - \$386,600			

*Unless otherwise stated, the estimated amounts and ranges are based on our business experience.

NOTES:

1. **Initial Franchise Fee.** The initial franchise fee for 1 Elements Studio is \$49,500. The initial franchise fee for each additional franchise you purchase is \$39,500. If you convert an existing business to a Studio, your initial franchise fee may be discounted. (See Item 5)
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 1,600 to 2,000 square feet. Estimated monthly lease payments range from \$3,100 to \$7,000 (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 1 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 Approved 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 Approved 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 Approved 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. **Massage Equipment and Supplies.** You must purchase from our Approved Suppliers specific massage equipment 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).
6. **Furniture, Décor and Other Equipment.** You must purchase furniture 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.
7. **Computer Hardware and Software.** Before opening your Studio, we typically require you to purchase 3 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 set-up fee for the set-up of the designated software.
8. **Initial Training Expenses.** You must pay your own transportation, meals, lodging and any other living expenses for you and any other persons attending the Initial Training outlined in Item 11 of this Disclosure Document. 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 2 other people traveling to our Support Center office in Colorado for approximately 5 days. For each additional person designated by you to attend Initial Training, you must pay us a \$500 fee, and pay for the additional person's transportation, meals, lodging and other living expenses. However, if you send an additional person to attend Initial Training, scheduling

preference will be given to new franchisees who have not yet had an individual participate in Initial Training. You must pay the \$500 fee before any additional person attends Initial Training and the fee is not refundable under any circumstances. The estimates do not include any wages or salary you may choose to pay yourself or others while attending Initial Training.

9. **Initial Marketing Spend Requirement.** See Item 11 of this Disclosure Document for more details on the Initial Marketing Spend Requirement.
10. **Signs.** The estimate includes our required interior signs and 1 exterior sign which bear 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.
11. **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.
12. **Insurance.** You must obtain insurance coverage from our Approved Supplier with the limits required by us as described in Item 8 of this Disclosure Document. Your landlord may require additional insurance. The estimate is the annual premium amount.
13. **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.
14. **Lease Review Fee.** When you enter into a letter of intent for the lease of your Studio premises, you may be required to pay us or our Approved Supplier (which may be an affiliate of ours) this fee. We will charge you only one lease review fee, unless you refuse to sign a lease that we have approved and we are then required to review other leases for the Studio location.
15. **Additional Funds (first 3 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, advertising and marketing expenses, uniform expenses, the costs of supplies, and other operating expenses. We cannot guarantee that this amount will be sufficient. The 3-month period is not intended, and should not be interpreted, to identify a point at which your Studio will break even. We cannot guarantee when or if 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, 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.
16. **Total Estimated Initial Investment.** We relied on our and our affiliates' many years of business experience in selling and supporting Elements and FT franchises to compile these estimates. 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 city, state, and/or country. If you are converting your existing

business to a Studio, your actual investment may vary depending on the size of your Studio premises, the scope of the leasehold improvements required by us, and whether we approve your existing equipment and supplies for use in your Studio after the conversion. All 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.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To maintain the quality, consistency, and goodwill of the Franchise System, you must comply with and maintain our System Standards. 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 may designate specific products or services that you must purchase. You may be permitted to purchase a product or service from a vendor of your choice and, in those cases, we may, but are not obligated to, provide you with a list of preferred vendors. However, we may require that you purchase the products or services only from certain manufacturers, vendors, distributors, suppliers and producers we approve, which may be us or our affiliates (collectively, "Approved Suppliers") and you will be required to purchase those products or services only from the Approved Suppliers and no other supplier or vendor. You may also be required to participate in certain mandatory service programs.

To the extent we have designated Approved Suppliers for products or services, you must purchase those products or services only from the Approved Suppliers (which may be one supplier for any given product or service) under terms, in the manner, and from the source designated by Franchisor or any of its affiliates. We currently have designated Approved Suppliers for advertising and promotional materials and other stationery supplies, design, architecture and construction services, furniture and fixtures, massage equipment, Studio insurance, music services, software (including customer satisfaction software), uniforms and apparel, signs, and hotel accommodations. During the term of the Franchise Agreement, we may require you to purchase other items or services only from Approved Suppliers (which might include us or our affiliates).

With respect to products or services for which we have designated one or more Approved Supplier(s), you may request that we permit you to purchase from an alternative supplier other than an Approved Supplier by submitting a written request for our approval. Our fee for evaluating the requested supplies or supplier is \$100.00 per hour, which you must pay to us when billed. We will typically provide a response to the written request within 30 days from our receipt of the request. We may require that samples of the product produced by the proposed alternative supplier be delivered to us for review and testing. We do not make available to our franchisees our criteria for approving suppliers. We may withhold approval of a supplier for any reason. We will not approve a new supplier or continue to

approve any supplier unless the supplier has agreed that we have a right to inspect the supplier's premises and products. If any inspection discloses a supplier's failure to maintain our specified criteria for products or services, we may revoke our approval by providing you written notice of the revocation. If an exclusive supplier already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new vendor, your request for a new vendor likely will be rejected without further review or investigation.

Advertising

All advertising and promotional materials, signs, and other items we designate for use in your Studio must bear the Marks in the form, color, location and manner we specify, and you must obtain all such materials from Approved Suppliers. Your advertising and promotional materials must meet our standards and specifications as described in our Operations Manual. You may prepare and use your own advertising and promotional materials only with our advanced written approval. We will provide a written response to your request for approval within 30 days after we receive it.

You must prominently display a statement in your Studio that clearly indicates your Studio is independently owned and operated by you and that you are not our agent. In addition, you must display our standard franchise opportunity sign in a highly visible area of your studio.

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. Except for worker's compensation insurance, which you may obtain from your payroll provider or any reputable insurer, you must purchase insurance from our Approved Supplier which represents insurance carriers with a performance rating of A or higher as rated in the most recent edition of Best Insurance Reports. Currently we require, at a minimum, the following types of insurance and minimum coverage limits: 1) at least \$1,000,000 per occurrence (\$2,000,000 in the aggregate) comprehensive general liability insurance; 2) \$60,000 business interruption insurance; 3) worker's compensation insurance (in compliance with state and local laws); 4) property insurance in amounts that protect your business personal property, fixtures, and improvements; 5) at least \$1,000,000 per occurrence (\$2,000,000 in the aggregate) professional liability coverage due to errors or omissions in the performance of services at your Studio; 6) at least \$100,000 per occurrence (\$300,000 in the aggregate) for sexual abuse and molestation coverage; and 7) at least \$1,000,000 per occurrence hired and non-owned auto insurance. 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 (or convert your existing business to a Studio), and then a minimum of annually or at our request, you must provide us or our designee with copies of each certificate of insurance (including those of each of your employees, if then required) together with evidence of payment of 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. If you fail to obtain or retain the insurance that we require, we may, but are not obligated to, obtain insurance for you, and you must reimburse us for all related premiums, plus our reasonable costs in obtaining the insurance. Each

insurance policy for your Studio must designate as additional insured parties us, our senior secured lender, and, if requested by us, any of our affiliates or Area Directors or other parties we may periodically designate.

Products, Equipment, Furniture and Fixtures and Supplies

You will at all times maintain sufficient products, equipment, furniture and fixtures and supplies to permit your Studio to operate at maximum capacity. Some of these items may only be available from one source, and we or our affiliates may be that source. Items that you are not required to purchase from an Approved Supplier can be purchased from any supplier, so long as the suppliers and supplies you purchase meet our System Standards and other specifications and quality standards.

We have negotiated purchase arrangements with certain Approved Suppliers for the benefit of the Franchise System. We or our affiliates may derive revenue or profit from your dealings with the Approved Suppliers in the form of rebates, cash payments, discounts, promotional allowances, and/or other payments. We have these types of arrangements only with the Approved 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.

The Approved 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 (based on our audited financial statements for the fiscal year ended December 31, 2013).

Massage Equipment

We have designated a third-party Approved Supplier of massage equipment and certain massage supplies and we may designate other Approved Suppliers in the future (which could be us or our affiliates). In 2013, our third-party Approved Supplier paid us 12% of each franchisee order. In fiscal year ended December 31, 2013, we received payments of \$111,121 from this Approved Supplier which represents 1.5% of our total revenues of \$7,435,715.

"Open" Signs

Through July 2013, we were the only Approved Supplier of "open" signs for Studios. After July 2013, our third-party massage equipment supplier (described above) began supplying "open" signs directly to our franchisees. In fiscal year ended December 31, 2013, we received revenues of \$8,851 from our franchisees (equal to our cost for the signs), which was 0.1% of our total revenues of \$7,435,715.

Technology Fees

We are the only Approved Supplier of the point-of-sale and other management information software programs required to operate your Studio. You must pay us a set-up fee and a monthly fee to use the required software. 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. In fiscal year ended December 31, 2013, we received revenues of \$416,144 from our franchisees' use of the required software programs and websites, which was 5.6% of our total revenues of \$7,435,715.

Studio Client Communications Software

We have designated a third-party Approved Supplier of Studio client communications software. In fiscal year ended December 31, 2013, we received payments of \$14,042 from this Approved Supplier, which was 0.2% of our total revenues of \$7,435,715.

Stationery and Advertising Materials

You must purchase all of your stationery supplies (including without limitation envelopes, business cards, brochures and gift certificates) and all of your advertising and promotional materials, from our Approved Suppliers. Our former Approved Supplier paid us 12% of each franchisee order. As of the date of this disclosure document, we do not receive a rebate or other consideration from our current Approved Suppliers for franchisee purchases (but we may do so in the future). In fiscal year ended December 31, 2013, we received revenues of \$6,392 from our former Approved Supplier for stationery and advertising and promotional materials, which represents 0.1% of our total revenues of \$7,435,715.

Except as described above, neither we nor any of our affiliates are an Approved Supplier of any other product or service.

Total Revenue and Revenue from Required Franchisee Purchases

In fiscal year ended December 31, 2013, our total revenues were \$7,435,715. Our total revenues from required purchases by our franchisees were \$556,550, which represents 7.5% of our total revenues.

We estimate that the cost of your purchases from designated or approved suppliers, or according to our standards and specifications will range from approximately 76% to 79% of the total cost of establishing, and approximately 4% to 6% of the total cost of operating, your Studio.

None of our officers owns an interest in any of our Approved Suppliers. Currently, there are no purchasing or distribution cooperatives in the Franchise System.

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 those agreements and in other items of this Disclosure Document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	1.1, 2.1, 2.2, 2.4, 4.12, 7.2 (Conversion Addendum Sections 3 and 7)	5, 7, 8, 11, 12
b. Pre-opening purchase/leases	4.5, 4.7, 5.4, 5.5, 7.5(e), 7.5(g), 7.6(i), 8.7 (Conversion Addendum Section 8)	5, 7, 8, 11
c. Site development and other pre-opening requirements	5.4, 5.5, 7.3, 7.6(i) (Conversion Addendum Sections 8 and 9)	5, 7, 8, 11
d. Initial and ongoing training	5.2, 5.3, 7.5(d), 7.6(a)	6, 7, 11

Obligation	Section in Franchise Agreement	Disclosure Document Item
e. Opening	7.3(b) (Conversion Addendum Section 9)	5, 7, 11
f. Fees	4, 7.5(h), 7.6(m), 10.3 (Conversion Addendum Sections 4, 5 and 12)	5, 6, 7, 8, 11
g. Compliance with standards and policies/ Operations Manual	7.5(a), 7.5(b), 7.5(l), 7.6(g), 7.6(k), 7.6(l), 7.6(q), 7.6(s), 7.6(u), 7.6(x)	1, 8, 11, 13, 14, 15, 16
h. Trademarks and proprietary information	6, 7.6(d), 7.6(e), 7.6(o), 12.5	8, 11, 13, 14, 16
i. Restrictions on products/services offered	7.5(c), 7.5(k), 7.6(f), 7.6(g), 7.6(k), 7.6(r), 8.7	8, 11, 16
j. Warranty and customer service requirements	7.5(a), 7.6(q), 7.6(y)	8, 11, 16
k. Territorial development and sales quotas	2.3, 5.7	12
l. Ongoing product/service purchases	4.5, 4.7, 5.4, 7.5(e), 7.5(f), 7.5(g), 7.6(i), 8.7 (Conversion Addendum Section 10 and 11)	6, 8, 11
m. Maintenance, appearance and remodeling requirements	7.5(e), 7.6(i), 7.6(u), 7.6(v)	8, 11, 17
n. Insurance	7.4, 7.6(c)	6, 7, 8
o. Advertising	4.11, 7.6(h), 8.1, 8.2, 8.3, 8.4, 8.5	6, 8, 11
p. Indemnification	9.1	6
q. Owner's participation/management/staffing	7.1, 7.5, 7.6(b), 7.6(g)	15
r. Records and reports	7.5(g), 7.5(l), 7.6(n), 7.6(w)	N/A
s. Inspections and audits	7.5(h)	6
t. Transfer	11	6, 17
u. Renewal	3.2	6, 17
v. Post-termination obligations	10.4, 12.2, 12.4	6, 17
w. Non-competition covenants	7.6(s), 12.1, 12.2, 12.3, 12.4	17
x. Dispute resolution	14	17
y. Other: Licenses	7.5	1, 7
z. Other: Pricing	7.5(c)	16

ITEM 10. FINANCING

We currently have a preferred provider that may assist you in your efforts to obtain financing for a portion of your investment in the Studio. There is no assurance that this preferred provider will continue to provide this assistance in the future or that if it ceases providing this assistance we will be able to obtain new financing assistance providers. We and our affiliates do not receive any direct or indirect payments or other consideration from our preferred provider or any other person for the placement of financing.

Neither we nor any of our affiliates provide financing to our franchisees, nor do we guarantee franchisee loans, promissory notes, leases or other obligations.

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 Assistance. Before you open your Studio, we or our authorized representative will assist you with the following:

1. **Site Selection Assistance.** We may provide real estate services to assist you in choosing a location for your Studio or we may designate a third party to provide these services. We do not represent that we or any of our affiliates, or any of our or our affiliates' owners and employees have special expertise in selecting Studio sites. While we or a third party may provide assistance to you in finding a site, it is your sole responsibility to locate suitable premises for your Studio. We will make the final determination to approve or not approve any site that you propose to us. We must review and approve any lease for your Studio premises. Our review of your lease is for our benefit and the benefit of the franchise system. We make no guaranty or assurance that any particular site or area in which you have expressed an interest will be available, and your obligations under the Franchise Agreement are not conditioned upon securing any particular site or a site in a particular area. 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. Our approval of your site is not a guarantee or assurance of success at that location. It simply means that the site meets the location criteria we periodically utilize. Upon executing the Franchise Agreement, you must begin searching for a site for your Studio, making diligent efforts to work with us (or a third party that we may designate) to review site information, view locations and review letters of intent, so that you can locate a site and sign a lease in a timely manner. Although there is no deadline by which you are required to select a site, you must open your Studio within 12 months after you sign the Franchise Agreement or we may terminate the Franchise Agreement. However, despite our right to terminate the Franchise Agreement if you fail to open your Studio within 12 months, we reserve the right to grant you a one-time, 12-month extension. If we grant you this 12-month extension and you do not have a signed lease 12 months after you sign the Franchise Agreement, you will pay us a \$7,500 extension fee. If you are converting your existing business to a Studio, you must complete the conversion within 180 days after you sign the Franchise Agreement (Sections 2.2, 7.2 and 7.3(b) of the Franchise Agreement and Section 9 of the Conversion Addendum)

You and your legal and other advisors are solely responsible for negotiating the terms of the lease for your Studio premises, including negotiating the terms of our required Letter of Intent and Lease Addendum attached as Exhibit 6 to the Franchise Agreement. You (and not any of your affiliates or owners) must be the tenant on the lease for your Studio's premises. Any review of your lease by us or by our legal counsel is for our benefit and not for your benefit. (Section 7.2 of the Franchise Agreement)

We do not typically own or lease any Studio sites.

2. **Site Design and Layout Specifications.** We, or at our option, our Approved Supplier will provide you with specifications and guidelines for the design and layout of a typical Studio, as well as the typical leasehold improvements necessary to complete the build-out of your Studio premises. You must obtain our written approval before making any alterations to the design and layout of the Studio or make replacements or alterations to the equipment, furniture and fixtures or signs we require that you use in opening and operating (or converting) your Studio. (Sections 5.5, 7.3(a) and 7.6 of the Franchise Agreement and Sections 6 and 8 of the Conversion Addendum)

3. **Equipment, Furniture and Fixtures, Inventory and Supplies.** We will provide you with specifications and guidelines for the equipment, furniture and fixtures, inventory and supplies necessary to open your Studio, a portion of which currently must be purchased from our Approved Suppliers (but may in the future be required to be purchased from us), as described in Item 8 of this Disclosure Document. These specifications and guidelines are contained in the Operations Manual or elsewhere as

we may designate. Other required equipment, furniture and fixtures, inventory and supplies may be purchased from any supplier, so long as the supplier and the items purchased meet our specifications. We do not deliver or install any items. Some Approved Suppliers may perform installation services; in other cases you will be responsible for installation or obtaining installation services from a third party. (Sections 4.4 and 5.4 of the Franchise Agreement)

4. **Operations Manual.** We will loan you or make available on-line, one copy of our Operations Manual to assist you in the operation of your Studio (as more fully described below). (Section 7.5 of the Franchise Agreement)

5. **Training.** After you sign a lease for your Studio premises and before you open your Studio, we or our designee will provide initial training (“Initial Training”), at no cost to you, to up to 3 individuals. You (or, if you are an entity, one of your co-owners) and, if not the same person as you (or the designated co-owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete Initial Training to our satisfaction before your Studio opens, but not before 6 weeks before the scheduled opening (or if you are converting your existing business to a Studio, these individuals must complete Initial Training within 6 months after you sign the Franchise Agreement). The third individual may attend Initial Training at any time before or after your Studio opens, but scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training. If you want any additional individuals to attend Initial Training, you must pay us a fee of \$500 per person. Any replacement manager (or employee having responsibility for the day-to-day operations of your Studio) must also attend and complete the Initial Training to our satisfaction. You are responsible for all travel, living, and miscellaneous expenses for all individuals who attend Initial Training. (Section 5.2 of the Franchise Agreement)

6. **Initial Advertising.** You must comply with the Initial Marketing Spend Requirement and the requirements that you submit a completed trade area survey and seek our approval for your initial marketing plan, as described in this Disclosure Document. Additionally, we will provide you with recommendations and guidelines for the initial advertising and promoting of your Studio. (Section 8.2 of the Franchise Agreement)

7. **Opening Requirements and Support.** The amount of time it will take you to open your Studio will depend on factors such as the location of the business, condition of the leased space, contractor and construction schedules, the time it takes to obtain required licenses and permits, zoning requirements, weather, availability of equipment and supplies, the economy and other factors. The Franchise Agreement requires that your Studio be open and operating within 12 months after the effective date of the Franchise Agreement, unless otherwise approved by us in writing. If you convert your existing business to a Studio, you must complete the conversion within 180 days after the effective date of the Franchise Agreement. If you do not open by the required date, we may terminate the Franchise Agreement. If you purchase more than 1 Franchise Agreement at the same time, you must open each additional Studio within the period after the effective date of the Franchise Agreement as we may designate, typically within 24 months after the effective date of the 2nd Franchise Agreement and 36 months after the effective date of the 3rd Franchise Agreement. However, we have the right to designate such other periods of time as we may determine. (Section 7.3(b) of the Franchise Agreement and Section 9 of the Conversion Addendum)

We or our designee will provide, at no additional cost to you, 2 days of on-site assistance and support in connection with the opening and initial operations of your Studio. We have discretion to determine the individuals who will provide this on-site support. If, upon the arrival of the support team at your Studio, we determine in our discretion that you are not ready to open your Studio, or if we determine in our

discretion that you require or would benefit from more than 2 days of on-site opening support, you will be responsible for the reasonable travel and living expenses incurred by our support team in providing the postponed or additional assistance.

You may not open your Studio for business until we notify you that you have properly equipped your Studio; you and your employees and other personnel have successfully completed the applicable training to our satisfaction; you have paid all amounts due to us and our Approved Suppliers and other vendors; you have obtained all required licenses and permits to operate your Studio; and you have obtained our required minimum insurance coverage for your Studio and have provided us with a certificate of insurance and evidence that you have paid your insurance premium.

Post-Opening Assistance. During the operation of your Studio, we or our authorized representative (which may be an affiliate of ours) will perform for you the following services:

1. **Equipment, Products and Materials.** We, or our Approved Suppliers, will make equipment, products and materials available to you at the prices disclosed in the Operations Manual, or other prices we designate, as may be periodically amended. (Sections 4.4 and 5.4 of the Franchise Agreement)
2. **Operational Advice and Support.** Periodically, we will provide you with operational support, assistance and consultation in person, by telephone, or otherwise, as we determine is appropriate. This advice may be based on periodic inspections of your Studio we or our authorized representatives perform. (Section 5.6 of the Franchise Agreement)
3. **Marketing and Advertising Support.** Periodically, we will provide you with recommendations and guidelines for advertising and promoting your Studio (as more fully described below). (Section 5.6 of the Franchise Agreement)
4. **Computer Software.** We will provide you the computer software required for conducting point of sale transactions, management information processes and activities and other business activities for a fee. (Section 4.7 of the Franchise Agreement)
5. **Operations Manual.** We will loan you one copy of our Operations Manual or other manuals or written materials we have or may designate for use in the Franchise System (and appropriate updates and revisions) (as more fully described below). (Section 7.5(b) of the Franchise Agreement)

Advertising

Marketing Fund. (Section 8.3 of the Franchise Agreement) You must contribute 1% of your Studio's gross receipts to the Marketing Fund. We have the right to collect for deposit into the 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 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 Marketing Fund. We do not use any of the funds contributed to the Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Marketing Fund on the same basis as you and our other franchisees.

We designate all programs to be financed by the 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 Marketing Fund may pay for preparing and producing video, audio, and

written materials (including marketing and promotional materials and local store marketing advertisements we prepare) and electronic media; administering regional and multi-regional marketing and advertising programs, including purchasing space in print publications, direct mail, radio and other media advertising and for advertising, promotion, and marketing agencies and other advisors who provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing activities; developing and maintaining websites for the Franchise System; administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); and 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. A “website” is any interactive electronic document, mobile media, social media tool or page or other Internet presence, contained in or utilizing a network of computers linked by communication software, including the Internet, Worldwide Web and any successor technology, including texting, social media promotions, postings or sites such as Facebook and Twitter, and including any other electronic, mobile or digital device, method or system enabling the transmission of information.

The Marketing Fund will advertise in printed materials or on radio or television for local, regional or national circulation. We and/or our regional or national advertising agency will produce all advertising and marketing. We determine the use of the funds contributed to the Marketing Fund, including allocating a portion of any Marketing Fund contributions to any regional advertising programs we may establish in the future. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Studio will be located. In addition, we are not required to ensure that Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of advertising and marketing materials directly or in proportion to its Marketing Fund contributions. We intend for the Marketing Fund to promote the applicable Marks, patronage of Elements Studios, and the Elements brand generally. We may use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund’s expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as specifically provided in the Franchise Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Marketing Fund.

We have established and receive input and feedback regarding advertising and marketing from the Franchisee Leadership Council Marketing Committee (the “Marketing Committee”). The Franchisee Leadership Council consists of franchisees and Area Directors, each of whom represents the region in which his or her Studio or Area Director territory is located and are elected by the franchisees and Area Directors in their respective regions, and members of our management. The Franchisee Leadership Council provides us feedback and input on operational, marketing and other matters related to the Franchise System. Elected members of the Leadership Council serve 2-year terms. The Marketing Committee consists of a self-appointed chairperson, who is a member of the Franchisee Leadership Council, and franchisees and/or Area Directors who agree to serve on the Marketing Committee at the request of the chairperson. The Franchisee Leadership Council and the Marketing 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 Franchisee Leadership Council and Marketing Committee at any time, and may otherwise form, change or dissolve the Franchisee Leadership Council or the Marketing Committee.

We account for the Marketing Fund separately from our other funds and do not use the 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 Marketing Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions. The Marketing Fund is not our asset and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We use interest earned on Marketing Fund contributions to pay costs before spending the Marketing Fund's other assets.

We prepare annual unaudited financial statements for the Marketing Fund that are available to you upon written request 120 days after the end of the Marketing Fund's fiscal year. We are not required to audit the Marketing Fund but may do so at our discretion.

In fiscal year ended December 31, 2013, the Marketing Fund contributions were utilized as follows: 7% for producing advertising, promotion and marketing materials; 4% for media placement; 12% for administrative expenses; 11% for market research; 10% for public relations; 50% for agency fees; and 6% for social media.

Marketing Cooperatives. (Section 8.4 of the Franchise Agreement). We may establish a Marketing Cooperative in a geographic area in which 3 or more Studios are located. The Marketing Cooperative's members 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 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 generated and/or designated by us. Such documentation is available for Marketing Cooperative member review. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving 1 vote. We may form, modify, change, dissolve, or merge Marketing Cooperatives. Funds contributed to a Marketing Cooperative will not be utilized to solicit new franchise sales.

Initial Marketing Spend Requirement. During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least \$15,000 to advertise, market and promote your Studio. However, if you purchase an existing Studio, the \$15,000 Initial Marketing Spend Requirement applies during the first 180 days after you take possession of the Studio. The Initial Marketing Spend Requirement is in addition to your Ongoing Marketing Spend Requirement described below. The Initial Marketing Spend Requirement will be used to advertise, market and promote your Studio in accordance with an advertising and marketing plan we approve before the opening of your Studio. We have the right to obtain from you information with respect to the results achieved from meeting your Initial Marketing Spend Requirement and implementing your approved advertising and marketing plan. (Section 8.2 of the Franchise Agreement)

Ongoing Marketing Spend Requirement. The minimum Ongoing Marketing Spend Requirement is an amount equal to the greater of 5% of your Studio's gross receipts or, depending on the designated market area (as identified by The Nielsen Company) ("DMA") in which your Studio is located, \$3,000 per month for Studios located in small DMAs, \$3,500 per month for Studios located in medium DMAs and \$4,000 per month for Studios located in major metro DMAs, beginning on the date your Studio opens and continuing throughout the term of the Franchise Agreement. The size of your DMA will be designated prior to signing the Franchise Agreement. This minimum Ongoing Marketing Spend Requirement is a

minimum only; you may be required to spend more to successfully market your Studio. If you are converting your existing business to a Studio, or if you purchase an existing Studio, you must spend the Ongoing Marketing Spend Requirement throughout the term of the Franchise Agreement. The Ongoing Marketing Spend Requirement will be used to advertise, market and promote your Studio in accordance with your quarterly advertising and marketing plans we have pre-approved. Other than the Marketing Fund contribution, we do not currently, but may in the future, collect other funds constituting the Ongoing Marketing Spend Requirement, such as contributions to Marketing Cooperatives for use in local, regional or national advertising or promotional programs.

Your Ongoing Marketing Spend Requirement includes any contributions you make to the Marketing Fund and any contributions you make to a Marketing Cooperative. Your Marketing Fund and Marketing Cooperative contributions could, by themselves, exceed the Ongoing Marketing Spend Requirement. In addition, we have the right to collect any funds constituting the minimum Ongoing Marketing Spend Requirement and use those funds for local, regional or national advertising or promotional programs. (Section 8.5 of the Franchise Agreement). We require you to use our social media program for the management of social media including Facebook, Google, mapping management and other social technologies that we periodically integrate.

Your Advertising and Marketing Materials; Website. Your (and your Marketing Cooperative's) advertising, promotion, and marketing must be clear, factual and not misleading, conform to the highest standards of ethics and comply with all advertising and marketing policies that we periodically prescribe. You cannot use any advertising or marketing materials unless we have prepared the materials on your behalf, or unless and until you receive our written approval of the materials. We will respond to you within 30 days of receiving any request for approval of your marketing and advertising materials.

At least 90 days before you open your Studio (or if you are converting your existing business to a Studio, at least 90 days before the conversion of your existing business, or 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 3 months after the opening, conversion 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. Following 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 Marketing Spend Requirement. (Section 8.5(b) of the Franchise Agreement and Section 12 of the Conversion Addendum)

Restrictions on advertising apply to any and all advertising materials and information relating to us, you, your Studio or the Franchise System, including what you plan to use on a website or in social media and to any changes to any website and social media information.

You are required to maintain a website for your Studio location that is compliant with our standards and is hosted by our Approved Supplier or suppliers. The monthly technology fee includes a fee for your website. You may not maintain a website for your Studio without our approval. At our option, you must discontinue any previously approved website and/or sign any documents, submit any information and do any other things we reasonably require to participate in any website we administer. We also may require you to obtain your own website for your Studio. (Section 8.1 of the Franchise Agreement).

Computer Systems

General. Our required computer systems (including the hardware and software programs described below) will allow you to generate and store a variety of information, including the amount of sales generated by your Studio, client profiles, client scheduling information, and payroll information. In order to operate your computer, you will need a high speed internet connection and a keyboard, mouse, color monitor and laser or ink-jet color printer. You must keep your computer in good working order and must provide any upgrades necessary at your cost. We and our affiliates and authorized representatives will have direct access to your computer and other systems, and the information and data generated by your computer systems.

Computer Hardware. 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 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 hardware, software and peripherals will be approximately \$5,900 to \$6,700, which includes the software set-up fee described below.

Computer Software. 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 (or if you are converting your existing business to a Studio, within 30 days after you sign the Franchise Agreement or on another date we may approve), you must pay us a \$499 set-up fee to configure the required software programs. You must also pay us a monthly technology fee. (See Item 6). Although not currently applicable, you may be required to enter into a license, lease or similar agreement in order to obtain the right to use designated software programs. (Section 7.5(e) of the Franchise Agreement and Section 5 of the Conversion Addendum).

Computer Hardware and Software Upgrades. During the term of your Franchise Agreement, you must maintain, repair and upgrade any hardware component or software program periodically in order to maintain compatibility with the components and programs we require, including upgrading your software based on periodic releases provided by the licensor of the computer systems and programs. The costs will vary depending on the required upgrades. We have no obligation to provide ongoing maintenance, repairs, upgrades or updates to your hardware components or software programs. (Section 7.5(f) of the Franchise Agreement)

PCI Compliance. The Payment Card Industry (“PCI”) Data Security Standard represents a common set of industry tools and measurements to help ensure the safe handling of sensitive information. You must follow PCI Standards and are solely responsible for all costs related to PCI data issues, such as security threats, breaches and malware. It is also your responsibility to notify us if a data breach has occurred so appropriate action can be taken to protect consumer data.

Operations Manual

We will make available to you a copy of our Operations Manual and other manuals or written materials for your use in operating your Studio. These manual(s) and materials contain mandatory and suggested specifications, standards and procedures, rules and other criteria related to the operation and marketing of your Studio. The manuals and materials may consist of audio tapes, video tapes, compact discs, DVD’s, webinars and/or other written and intangible materials, all of which constitute our proprietary and

confidential information. You may not copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Operations Manual and such other manuals and materials will remain our sole property and must be kept in a secure place on the Studio premises. We may provide the confidential manuals in any manner we choose, including by electronic or hard copy. We may update the Operations Manual and other manuals to implement new or different operating requirements and fees applicable to you. You must comply with all requirements, terms and conditions of the Franchise Agreement, Operations Manual and other written policies supplied to you by us. (Section 7.5(b) of the Franchise Agreement)

The table of contents of our Operations Manual is included as Exhibit K to this Disclosure Document. Our current Operations Manual has a total of 132 pages.

Training

Initial Training. We or our designee will provide Initial Training to up to three individuals. You (or one of your co-owners) and your manager (or, if you do not have a manager, the individual who will have management responsibility for the day-to-day operations of your Studio) must complete Initial Training to our satisfaction before your Studio opens, but not prior to 6 weeks before the scheduled opening. The third individual may attend Initial Training at any time before or after your Studio opens. However, in scheduling training for the third individual, preference will be given to new franchisees who have not yet had an individual participate in Initial Training. Any replacement manager (or employee having responsibility for the day-to-day operations of your Studio) must also attend and complete the Initial Training to our satisfaction. We have the discretion to determine whether or not any individual has successfully completed Initial Training. If you are converting your existing business to a Studio, you (or one of your co-owners) and your manager (or, if you do not have a manager, the individual who will have management responsibility for the day-to-day operations of your Studio) must complete Initial Training within 180 days after you sign the Franchise Agreement. You must ensure that an individual who has completed the Initial Training to our satisfaction is on-site at your Studio for a minimum of 50 hours per week. If you own and operate more than 1 Studio, each Studio must have an individual who has completed Initial Training to our satisfaction on site for a minimum of 50 hours per week. You must pay for all travel, accommodations, meals and other expenses incurred by all individuals who attend Initial Training.

Initial Training consists of home study and training conducted at a location we designate, currently at our Support Center in Colorado. Classes are typically scheduled on an as-needed basis and generally last 5 business days. Although we do not currently do so, we reserve the right to conduct additional training in a Studio. The primary instructional material is the Operations Manual. The topics covered, instructional materials, hours of classroom and/or hands-on training, and the training program instructors are subject to change. (Section 5.2 of the Franchise Agreement)

In addition to the Initial Training, we or our designee will provide 2 days of on-site assistance and support in connection with the opening and initial operations of your Studio.

If you purchase additional franchise agreements, you will designate up to 3 individuals per franchise agreement to attend Initial Training; however, neither you nor your co-owners will be required to attend Initial Training if you have already done so.

If you want more than 3 individuals (per franchise agreement) to attend Initial Training, such as new or additional managers (or, if you do not have a manager, an individual who will have management responsibility for the day to day operations of your Studio), you must pay us a fee of \$500 per person and

you must pay for all travel, accommodations, meals and other expenses incurred by all individuals who attend Initial Training. Initial Training for additional individuals will be offered during our regularly scheduled Initial Training programs, but scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training.

Initial Training currently consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom/Home Study Training	Hours of On-The-Job Training	Location
Finance Tutorial	6.0	0	Home Study
Marketing	3.0	0	Home Study
HIPAA Training	5.0	0	Home Study
MINDBODY Training	2.0	0	Home Study
Massage Evaluation	2.0	0	Home Study
Foundation and System Overview	1.0	0	Our Colorado Support Center
Massage Industry Education	1.0	0	Our Colorado Support Center
Massage Therapist Training	5.0	0	Our Colorado Support Center
Sales Client Service Specialist Training	3.0	0	Our Colorado Support Center
MINDBODY Training	8.0	0	Our Colorado Support Center
Marketing	7.0	0	Our Colorado Support Center
Staffing/Scheduling/Management	5.0	0	Our Colorado Support Center
Operational Support/Opening Preparation	4.0	0	Our Colorado Support Center
Key Performance Indicators and Client Satisfaction	2.5	0	Our Colorado Support Center
Total Hours	54.5	0	

Additional Training and Conferences. We may require that you pay a fee of up to \$500 per individual you designate to attend any refresher training we make available to our franchisees or for any optional training programs we may periodically conduct. You must attend any annual conferences or seminars that we may require at a location we designate. You shall pay all costs to attend any refresher training, conferences or seminars.

Training Staff. Ms. Lisa Saad has been our Director of Learning and Communications since joining us in 2012. Before that, Ms. Saad was a consultant to, and then Director of Business Services at, Spicy Pickle Franchise Incorporated. Ms. Saad has 2 years of experience with us and 16 years of experience in the subjects taught.

ITEM 12. TERRITORY

During the term of the Franchise Agreement (as long as you are not in default of the Franchise Agreement) we will not, and we will not grant to any other person the right to, establish or operate a Studio within a one-mile radius of your Studio (the “Protected Area”).

You will select a specific defined territory we approve from our available inventory (“Territory”) within which you will search for and select a site for your Studio that we must approve. There is no minimum Territory size. The Territory is the area in which you will focus your efforts to find a location we approve for your Studio. The Territory will be specified in your Franchise Agreement and any change to the Territory must be made by amending the Franchise Agreement, prior to beginning the site selection process in the amended Territory. We identify the Territory in order to facilitate the orderly development of the market. You will not receive any territorial rights to the Territory. The Territory is not your Protected Area (described below). Typically, your Protected Area will be substantially smaller than the Territory.

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 within the Territory. Our approval of your Studio site is conditioned on a variety of factors, including site demographics, location (including proximity to other businesses), neighborhood character, the size and appearance of the premises to be leased, and other characteristics and criteria that may periodically change. We confirm demographic data about territories and locations utilizing a mapping software we license from a third party. Our approval of your site is not a guarantee or assurance of success at that location. It simply means that the site meets the location criteria we periodically utilize.

Unless we otherwise agree in writing, you must operate your Studio only at the location approved by us, and you must provide all authorized therapeutic massage services and products only at your Studio location. Once it is open, you may not relocate the Studio without our advance written consent. If we approve a relocation of your Studio, you will be responsible for paying any associated costs, including our reasonable costs incurred in connection with approving the relocation. You will also be required to sign a relocation addendum which will include our form of general release. If you cease to operate your Studio for more than 30 days before relocation, we may terminate the Franchise Agreement and require you to sign our then-current franchise agreement for the new location.

We may change your Protected Area boundaries or other characteristics when you renew, transfer or assign a controlling interest in, the Franchise Agreement. Your rights in the Protected Area do not depend on you achieving a sales volume, market penetration or other contingency. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchise agreements. If you want to own and operate additional Studios, you must purchase one additional franchise agreement per Studio. Each additional franchise agreement will dictate the terms and conditions under which you may own and operate any additional Studio.

So long as you are not in default under your Franchise Agreement, you have the Protected Area described above. We reserve all other rights with respect to the Studio and related Territory and Protected Area. Those rights include the right to offer, sell or distribute in your Territory and Protected Area, through alternative distribution channels (including in retail stores, on the internet or via similar future information technology, or otherwise) any proprietary products or other products that are part of, or which become part of, the Franchise System, such as, massage equipment, small wares and other products. Any such activities in which we engage will be without compensation to you. The alternative distribution channels may be available to us as the result of being the Franchisor of the Franchise System or as the

result of other brands we may control, which may compete with your Studio. You may also face competition from other Studios operated by us or by other franchisees. Though we do not currently do so, we and our affiliates reserve the right to, without compensation to you, franchise and/or operate other types of businesses and businesses that are the same or similar to the Franchise System.

You may advertise your Studio and solicit clients from any area, so long as you provide services only at the Studio location we have approved. You are not required to compensate any individual or entity in connection with this advertising and solicitation. We and our other franchisees reserve the same right to solicit, accept and provide massage services to clients who live or work within your Protected Area, without compensating you.

You have the right to use other channels of distribution, such as direct mail, email and internet (but only through the website you maintain through us) to make sales within and outside of your Protected Area, provided that we have approved any marketing materials you use.

As of the date of this Disclosure Document, neither we nor any of our affiliates own or operate businesses similar to the Studios, nor do we or our affiliates have plans to own or operate such businesses under a trademark different from the Marks that will sell similar goods or services to those offered by franchisees in the Franchise System; however, we reserve the right to do so.

ITEM 13. TRADEMARKS

The Franchise Agreement grants you a non-exclusive license to use the Marks. Unless otherwise noted below, 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 Therapeutic Massage and Design	3407418	April 1, 2008
Elements Three Tear Drops	3760865	March 16, 2010
Elements Therapeutic Massage and Design	3761266	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.

In addition to the Marks listed in the table above, on October 13, 2013, we applied with the USPTO, on an intent-to-use basis, for the mark, “Elements Massage.” This trademark application is pending on the Principal Register as of the date of this disclosure document as Application Number 86082391.

Your use of the Marks and any goodwill associated with the Marks are solely for our benefit. You have no ownership or other interest in the Marks. You may not at any time contest 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. You may not use any Mark or any part of any Mark as part of any corporate or trade name; with any prefix, suffix, or other modifying words, terms, designs, or symbols; as part of a domain name or electronic address you maintain on the

internet, the worldwide web, or any other similar proprietary or common carrier electronic delivery system; to advertise or sell any unauthorized service; or in any other manner unless authorized by us in writing.

You must identify yourself as the independent owner of your Studio as directed or required by us. 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 and directives concerning the proper use of the Marks.

You must modify or discontinue using any Mark, at your expense, if we require you to do so. We need not reimburse you for your direct expenses related to changing your Studio's signs or replacing proprietary supplies, for your lost revenue, or for your promotion of the modified or newly required 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, our affiliates 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 or other administrative proceeding arising out of any infringement, challenge or claim related to the Marks. We are not contractually obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, nor are we required to participate in your defense or indemnify you. However, we might choose to do so if, in the opinion of our legal counsel, such action is necessary or appropriate under the circumstances. In that case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. We will not pay any of your attorneys' fees if you hire your own attorney. You must cooperate with us in any litigation.

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

There are no patents or copyrights currently registered or pending that are material to the Franchise System although we do claim copyright protection for our Franchise Agreement, the Operations Manual, other manuals or writings related to operating the Studio, training materials, and various sales, promotional and other materials we periodically produce or create (the "copyrighted material"). We have not registered the copyrighted material with the United States Registrar of Copyrights, but need not do so to protect it. You may use the copyrighted materials or any future copyrights or patents we may claim or obtain in the operation of your Studio only as we direct and specify.

Currently, there are no effective determinations of the USPTO, the United States Copyright Office, 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 copyrighted material. There are currently no effective agreements that significantly limit our right to use, license or sublicense the copyrighted material. Neither we nor our affiliates know of any infringing uses or superior prior rights that could materially affect your use of the copyrighted material.

You must notify us immediately of any apparent infringement or challenge to your use of any copyrighted material or any copyrights or patents we may claim or obtain in the future. You may not communicate information about such an infringement or challenge with any person other than us, our affiliates 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 or other administrative proceeding arising out of any infringement, challenge or claim related to the copyrighted material or any copyrights or patents we may claim or obtain in the future. We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the copyrighted material or any copyrights or patents we may claim or obtain in the future, nor are we required to participate in your defense or indemnify you. However, we might choose to do so if, in the opinion of our legal counsel, such action is necessary or appropriate under the circumstances.

You must modify or discontinue using any of the copyrighted materials or other items or processes that may be covered by a claim of copyright, or covered by a registered copyright or patent in the future, at your expense, if we require you to do so. We need not reimburse you for your direct expenses related to such modification or discontinuance of use or for your lost revenue.

We possess certain proprietary confidential information consisting of the methods, techniques, formats, specifications, procedures, information, systems, business management methods, sales, and promotion techniques and knowledge and experience in the operation of Studios. We will disclose this information to you during Initial Training, other training programs we may periodically offer, in the Operations Manual and otherwise during the term of your Franchise Agreement. You will have no right or interest in or to the confidential information, other than to use it in the operation of your Studio and its use in any other business venture would constitute unfair competition. The confidential information is proprietary, includes our trade secrets, and is disclosed to you solely on the condition that you not use the confidential information in any other business, you use it solely for the purpose of operating your Studio, you maintain the absolute confidentiality of the confidential information during and after the term of your Franchise Agreement, that you not make any unauthorized copies of the confidential information disclosed in writing or tangible form, and that you adopt and implement all reasonable procedures we periodically prescribe to prevent unauthorized use or disclosure of the confidential information.

You must take reasonable steps to protect us, the Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess against any misappropriation or other action by any third party that could damage us, the Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess, and immediately notify us of any misappropriation or other such action. We are not obligated to take any action against any unauthorized use of our Proprietary Assets, Marks or confidential information. We are not obligated to indemnify you for claims brought by a third party arising from your use of our Proprietary Assets, Marks and confidential and proprietary information.

The Operations Manual and any other materials we provide you for the purpose of operating your Studio belong to us and are loaned to you for the term of your Franchise Agreement. You must return all of these confidential materials to us when your Franchise Agreement expires or is terminated for any reason. You must keep the confidential materials updated and they must be located on the Studio's premises. If there is dispute regarding the correct terms or interpretation of any provisions of the Operations Manual or other manuals or materials we provide to you that you are required to keep updated, the terms of our master copies of such materials will control. We will be entitled to equitable remedies, such as injunctive relief, in order to protect our Franchise System, the Proprietary Assets, the Marks and any other confidential and proprietary information we possess.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE STUDIO

During the term of the Franchise Agreement, you must use the Studio premises solely to operate your Studio. You must operate your Studio on the days and for the number of hours as we may specify. You, your co-owners(s) or your fully trained manager(s) must devote full time and best efforts to the management and operation of the Studio. All individuals providing direct day-to-day supervision must have first satisfactorily completed our Initial Training. You must ensure that one individual who has successfully completed the Initial Training is on-site at your Studio for a minimum of 50 hours per week. If you are an individual, we recommend that you provide the direct on-premises supervision. You must devote such time as is necessary to effectively and efficiently operate your Studio.

If you are approved to develop multiple Studios, each Studio must have its own direct day-to-day supervisor, who must have satisfactorily completed our Initial Training. If the supervisor is an employee and the employee's employment terminates for any reason, you will promptly designate a replacement manager, who must attend and satisfactorily complete our next scheduled Initial Training program. We do not impose requirements with respect to your employees; however, you and all of your employees must obtain any licenses required to operate the Studio, must comply with all applicable laws, and must not harm the goodwill associated with the Franchise System, the Proprietary Assets and the Marks. You must ensure that all massage therapists are licensed (if required in your jurisdiction) and have adequate insurance, including professional liability insurance or the equivalent.

Your employees, agents and independent contractors must enter into a non-compete and confidentiality agreement in the form attached to the Franchise Agreement as Exhibit 5.

If you are an entity, we do not require any manager you hire to have an equity interest in you. Although you may hire a manager to conduct the day-to-day operations of your Studio, you will still be obligated to comply with the terms of the Franchise Agreement and ensure that the Studio is properly operated.

If you are an individual, you must sign, and 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 4 to the Franchise Agreement. The persons signing the Guaranty and Assumption of Obligations agree to personally assume and perform all of the Franchisee's obligations under the Franchise Agreement. In addition, the spouse of the person signing may be required to consent to the Guaranty and Assumption of Obligations. Your landlord might also require you, or if you are an entity, your owners, to personally guaranty the tenant obligations under your lease.

If you are a corporation, limited liability company or partnership (or any other form of legal entity), all of your officers, directors, partners, shareholders and members and their spouses (and if you are an individual, your spouse) must agree to be bound by the non-disclosure provisions of the Franchise Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must perform all services and offer all products that we require or may in the future require for operating the Studio. You must not offer, sell or promote any products, services or other types of massage services or programs under any of the Marks, except for services, products, and programs approved by us. You must sell or offer for sale at the Studio only services and products that we require or recommend and meet our current System Standards established in our Operations Manual. We have the right, without restriction, to periodically change any of the products, goods and services we require you to offer and sell.

We retain the right to establish both minimum and maximum prices, subject to applicable law. You must offer to customers any membership program that we require.

You must not install or maintain on the premises of the Studio any newspaper racks, video games, juke boxes, games, gaming machines, gum machines, rides, vending machines or other similar items without our written approval.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions which are contained in the Franchise Agreement attached as Exhibit B to this Disclosure Document.

Provision		Section Franchise Agreement	Summary
a.	Length of the franchise term	3.1	10 years
b.	Renewal or extension of the term	3.2	Additional terms of 5 years each
c.	Requirements for franchisee to renew or extend	3.2	You must: 1) provide written notice of your election to renew; 2) not be in default; 3) pay all monies due; 4) sign the then-current form of our franchise agreement (which may contain terms and conditions materially different from those in the Franchise Agreement); 5) sign our then-current form of general release; 6) attend refresher training programs (if any); 7) pay the renewal fee; and 8) update/remodel the Studio to our then-current standards.
d.	Termination by you	Not applicable	Not applicable.
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	10.1, 10.2	We can terminate the Franchise Agreement after providing you notice.
g.	“Cause” defined – curable defaults	10.1, 10.2	Curable defaults include: 1) ten days to cure a failure to pay or a misuse/unauthorized use of Marks or Proprietary Assets; 2) 30 days to cure any breach of the Franchise Agreement other than those provided in “h” below; and 3) cure period for a failure to cure loan default, as determined by us or a third-party lender.

Provision		Section Franchise Agreement	Summary
h.	"Cause" defined – non-curable defaults	10.1 (Conversion Addendum Section 14)	Non-curable defaults include: 1) unauthorized disclosure of confidential information; 2) fraud conviction or engagement in conduct which may harm the Marks, the goodwill associate with the Marks, or the Franchise System; 3) abandonment for two consecutive days or expressing an intent to abandon; 4) insolvency or similar proceeding of you, your owner or an affiliate; 5) failure to satisfy a final judgment of \$5,000 or more or similar events; 6) felony or other criminal conviction that is likely to harm the Marks, the Proprietary Assets or the Franchise System and any related reputation or goodwill; 7) failure to commence operations within 12 months (24 months if we grant an extension and you pay us an extension fee) (or convert existing business to a Studio within 180 days); 8) failure to satisfactorily complete Initial Training or cheating at Initial Training; 9) underreporting gross receipts; 10) 3 default notices from us within a 12-month period; 11) unauthorized transfer; 12) loss of right to occupy Studio premises; 13) termination of other agreement between you (or one of your owners) and us; and 14) you create or allow to exist a health or safety concern.
i.	Your obligations on termination/non-renewal	10.4, 12.2	Obligations include: de-identifying, pay all sums due; return all manuals and other confidential materials; assign the business telephone and fax numbers to us or our designee; notify clients; direct clients to another Studio; transfer client list to us or our designee; pay all damages and costs incurred by us in enforcing the termination provisions of the Franchise Agreement; and comply with the covenants not to compete.
j.	Assignment of contract by us	5.7(f), 11.8	No restriction on our right to transfer or assign. We may transfer or assign without your approval
k.	"Transfer" by you-definition	11	Includes transfer of the interests or rights in the Franchise Agreement or the Studio or if you are an entity, the transfer of a controlling ownership interest in you.
l.	Our approval of your transfer	11.1	We have the right to approve all transfers but will not unreasonably withhold our consent. You cannot transfer without our written consent.

Provision		Section Franchise Agreement	Summary
m.	Conditions for our approval of transfer	11.1	All of your obligations have been discharged or assumed by the transferee; all fees owed to us have been paid; transferee qualifies and signs our then-current form of franchise agreement; transferee (or any other person we require under then-current franchise agreement) completes our Initial Training before taking possession; transfer fee is paid; new franchisee is not operating a Competitive Business; we approve the terms and conditions of the transfer; you are not in default of any agreement with us; transferee agrees to renovate Studio to our then-current standards; you (or your owners or any other guarantor under the Franchise Agreement) sign our then-current form of general release and non-disparagement agreement; you obtain landlord consent (if required by lease); we have approved any new lease or lease assignment transferring the Studio; you comply with all post-termination obligations (see “i” and “r”); you and transferee execute our form of Agreement and Conditional Consent to Transfer; you pay us a deposit of \$2,500 (refundable, less amounts due, within 30 days of transfer); you have paid any applicable third-party broker fees; and you transfer possession of Studio only after transfer process completed. The term “Competitive Business” means any business 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 Franchise System or other Studios.
n.	Our right of first refusal to acquire your business	11.5	We have a right of first refusal to acquire your Studio
o.	Our option to purchase your business	11.5	If you decide to sell your business, we have the right to purchase your business within 30 days from the date of delivery of a written offer.
p.	Your death or disability	11.3	The Franchise Agreement or ownership interest in the business entity may be assigned to an approved party.
q.	Non-competition covenants during the term of the franchise	12.1, 12.3	No involvement in any Competitive Business; no interference with our or any other affiliate’s or franchisee’s employees; no unauthorized use of Proprietary Assets or Franchise System format; and no operation of another branded business within ¼ mile of the Studio.
r.	Non-competition covenants after the franchise terminates or expires	12.2	No involvement (direct or indirect), provision of services in Competitive Business for 2 years within a 3-mile radius of your Studio or within 3 miles of another Studio. (Same terms apply after transfer.)

Provision		Section Franchise Agreement	Summary
s.	Modification of the agreement	15.2	The Franchise Agreement can be modified only by written agreement between you and us. We can modify or change the Franchise System through changes in the confidential Operations Manual, other manuals and System Specifications and standards.
t.	Integration/merger clause	15.4, 15.5	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	14.5	All disputes relating to the Franchise Agreement or our relationship must be arbitrated within 50 miles of our then-current principal place of business (currently Denver, Colorado).
v.	Choice of forum	14.2	The place where our principal place of business is located (currently Denver, Colorado) (subject to state law).
w.	Choice of law	14.1	Colorado law governs (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.

Studios Open for 12 Months

Table 1 describes 2013 Average Annual Revenue, Average Gross Profit Percentage, Average Number Of Gift Card Sold, Average Percent with a Hired Manager, and Average Number of Massage Rooms for Studios in the Franchise System open as of December 31, 2013 and open for at least 12 months as of January 1, 2013, and further describes the number and percentage that met or exceed the averages for each category (other than Percent of Studios with Hired Manager). Studios are categorized in the tables below based upon annual revenue. We do not verify the accuracy of the data submitted by our franchisees.

Table 1

Category	No. of Studios	2013 Average Annual Revenue ¹	Percentage that Met or Exceeded the Average	Same Studio Average Revenue Increase (2013 over 2012) ²	2013 Average Gross Profit Percentage ³	Percentage that Met or Exceeded the Average	2013 Average Number of Gift Cards Sold	Percentage that Met or Exceeded the Average	2013 Percent of Studios with Hired Manager ⁴	2013 Average Number of Massage Rooms	Percentage that Met or Exceeded the Average
Top 10	10	\$907,254	50.0%	12.3%	64.3%	70.0%	2,286	60.0%	90.0%	6.8	40.0%
Top third	26	\$777,938	42.3%	13.5%	63.6%	53.8%	1,902	38.5%	80.8%	6.4	38.5%
Middle third	27	\$529,666	59.3%	16.9%	63.4%	48.1%	1,271	51.9%	70.4%	6.2	40.7%
Bottom third	26	\$343,438	53.8%	11.7%	63.5%	46.2%	825	50.0%	26.9%	5.8	57.7%
Bottom 10	10	\$257,506	40.0%	23.2%	63.2%	50.0%	656	60.0%	30.0%	6.0	60.0%
All Studios	79	\$550,085	43.0%	14.2%	63.5%	49.4%	1,332	43.0%	59.5%	6.1	34.2%

Notes to Table 1:

1. The Average Annual Revenue amounts are based upon actual data we require our franchisees to submit to us on a monthly basis.
2. The Same Studio Average Revenue Increase measures the increase in revenue on a same-studio basis, comparing annual revenue for 2013 with 2012.
3. The Average Gross Profit Percentages are calculated by first subtracting the annual cost of wages paid to therapists from annual revenues reported and then dividing the result by total annual revenues. Royalties are calculated at 6% and wages paid to 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. Percent of Studios with a Hired Manager measures those Studios that have full-time managers who are not owners of the respective Studio franchisee.

Studios Opened During 2011, 2012, and 2013

Between January 1, 2011 and December 31, 2013, our franchisees opened 103 new Studios at various times and 92 of those Studios (the “Designated Studios”) were open and had operated for 1 month or longer as of December 31, 2013. Each of the Designated Studios completed some or all of their first full year of operations before December 31, 2013, with an average of 9 months completed.

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. “New clients” are individuals who have not previously visited a particular Elements Studio.

Table 2

Category	Number of Studios	Average New Client Trials Per Month	Percentage that Met or Exceeded the Average
Top third	31	190	38.7%
Middle third	30	132	50.0%
Bottom third	31	100	51.6%
All Studios	92	141	39.1%

Table 3 summarizes the average Membership Conversion Rate per month for the Designated Studios. The Designated Studios are categorized on the basis of monthly Membership Conversion Rate. “Membership Conversion Rate” means the percentage of new clients who sign up for our wellness membership program.

Table 3

Category	Number of Studios	Membership Conversion Rate	Percentage that Met or Exceeded the Average
Top third	31	26.3%	25.8%
Middle third	30	20.4%	46.7%
Bottom third	31	14.7%	58.1%
All Studios	92	20.5%	47.8%

Table 4 summarizes the average monthly revenue for 51 of the Designated Studios that completed all of their first year of operations before December 31, 2013.

Table 4

Category	Number of Studios	Average Monthly Revenue	Percentage that Met or Exceeded the Average
Top third	17	\$29,967	35.3%
Middle third	17	\$18,516	58.8%
Bottom third	17	\$12,614	47.1%
All Studios	51	\$20,365	39.2%

* * * * *

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. As a new franchisee, you may not attain the same level of sales, costs or profits that have been attained by our existing franchisees. Your results may significantly differ.

Factors that might adversely impact average monthly 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.

The above representations are the only financial performance representations we make and our employees, agents and representatives are not authorized to make any additional financial representations about the Franchise System, either orally or in writing. If you are purchasing an existing Studio, however, we may be able to provide you with the Studio's financial performance information. If you receive any other financial performance information or projections of what your financial results might be if you purchase a Studio, you should report it to our management by contacting Daniel M. Colbourne, our Chief Financial Officer, 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129, (877) 663-0880, the Federal Trade Commission, and appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table 1
Systemwide Outlet Summary
For Years 2011 to 2013¹**

Outlet Type	Year	Outlets at the Start of the year	Outlets at the End of the Year	Net Change
Franchised Outlets	2011	76	83	+7
	2012	83	122	+39
	2013	122	167	+45
Company Owned Outlets	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
Total Outlets	2011	76	83	+7
	2012	83	122	+39
	2013	122	167	+45

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

**Table 2
Transfers of Outlets from Franchisees to New Owners (other than Franchisor)
For Years 2011 to 2013¹**

State	Year	Number of Transfers
California	2011	0
	2012	0
	2013	1
Colorado	2011	0
	2012	1
	2013	4
Maryland	2011	0
	2012	1
	2013	0
Massachusetts	2011	2
	2012	1
	2013	2
Michigan	2011	0
	2012	1
	2013	0

State	Year	Number of Transfers
Oklahoma	2011	1
	2012	0
	2013	0
Oregon	2011	0
	2012	1
	2013	0
Texas	2011	1
	2012	1
	2013	2
Washington	2011	0
	2012	1
	2013	1
Totals	2011	4
	2012	7
	2013	10

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

Table 3
Status of Franchised Outlets
For Years 2011 to 2013¹

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	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Arizona	2011	5	2	1	0	0	1	5
	2012	5	2	0	0	0	0	7
	2013	7	2	0	0	0	0	9
California	2011	2	0	0	0	0	1	1
	2012	1	5	0	0	0	0	6
	2013	6	9	0	0	0	0	15

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Colorado	2011	13	1	1	0	0	0	13
	2012	13	0	0	0	0	0	13
	2013	13	2	0	0	0	1	14
Connecticut	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Florida	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	1	3
	2013	3	0	0	0	0	0	3
Georgia	2011	1	0	1	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Idaho	2011	3	0	0	0	0	0	3
	2012	3	1	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Illinois	2011	4	1	0	0	0	0	5
	2012	5	4	1	0	0	0	8
	2013	8	1	0	0	0	1	8
Indiana	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Iowa	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Kentucky	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Maryland	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Massachusetts	2011	12	4	0	0	0	0	16
	2012	16	4	0	0	0	0	20
	2013	20	4	0	0	0	0	24
Michigan	2011	3	0	0	0	0	1	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Minnesota	2011	1	0	0	0	0	0	1
	2012	1	3	0	0	0	0	4
	2013	4	1	0	0	0	1	4
Nevada	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
New Hampshire	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	2	0	0	0	0	3
New Jersey	2011	0	0	0	0	0	0	0
	2012	0	7	0	0	0	0	7
	2013	7	5	0	0	0	1	11
New Mexico	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New York	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	1	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
North Carolina	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Ohio	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	3	0	0	0	0	4
Oklahoma	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Oregon	2011	1	0	0	0	0	0	1
	2012	1	2	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Pennsylvania	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Carolina	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Tennessee	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	2	0	0	0	0	3
Texas	2011	4	1	0	0	0	0	5
	2012	5	6	0	0	0	0	11
	2013	11	4	0	0	0	0	15
Utah	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Virginia	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Washington	2011	6	1	0	0	0	0	7
	2012	7	1	0	0	0	0	8
	2013	8	2	0	0	0	0	10
Wisconsin	2011	3	0	0	0	0	0	3
	2012	3	1	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Totals	2011	76	13	3	0	0	3	83
	2012	83	41	1	0	0	1	122
	2013	122	49	0	0	0	4	167

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

Table 4
Status of Company-Owned Outlets
For Years 2011 to 2013¹

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets at End of Year
All States	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Total	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

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

Table 5
Projected Openings
As of December 31, 2013 for 2014

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
Arizona	7	3	0
California	25	10	0
Colorado	4	1	0
Connecticut	3	3	0
Florida	5	2	0
Georgia	2	0	0
Illinois	7	4	0
Kentucky	1	0	0
Maryland	2	0	0
Massachusetts	3	3	0
Michigan	2	0	0
Minnesota	7	1	0
Missouri	0	1	0
New Hampshire	1	0	0
New Jersey	17	2	0
New York	9	3	0
North Carolina	3	1	0
Ohio	12	3	0
Oregon	9	3	0
Pennsylvania	8	3	0
Rhode Island	1	1	0
South Carolina	1	0	0
Texas	15	5	0
Utah	2	2	0
Virginia	6	0	0
Washington	7	1	0
Wisconsin	3	3	0
Total	162	55	0

Exhibit C1 lists the names of all current franchisees and the addresses and telephone numbers of their Studios as of December 31, 2013.

Exhibit C2 also list 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 C3 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.

A list of Area Directors currently under a master franchise or area director agreement and their respective territories is provided in Exhibit F to this Disclosure Document.

During the last three 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, Area Directors, 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 D to this Disclosure Document are our audited financial statements as of December 31, 2011, December 31, 2012, and December 31, 2013.

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
- G Agreement and Conditional Consent to Transfer
- H Form of Conversion Program Addendum to the Franchise Agreement
- I Form of Renewal Addendum
- J Form of General Release

There are no other contracts or agreements you are required to sign to purchase your Studio

ITEM 23. RECEIPTS

Exhibit L of this Disclosure Document contains detachable documents acknowledging your receipt of this Disclosure Document and all Disclosure Document Exhibits.

EXHIBIT A

STATE ADDENDA AND AGREEMENT RIDERS

Exhibit A

STATE ADDENDA TO FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA**

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

1. The following language is added to the end of Item 3 of the Disclosure Document:

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

2. Item 17 of this Disclosure Document will be amended by adding the following paragraphs to the end of the chart:

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A., section 101 et seq.).

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

The Franchise Agreement requires binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator located within 50 miles of our then-current principal place of business (currently, Denver, Colorado) with the costs being paid equally by the parties and each party is responsible for its own additional costs and attorneys' fees. This provision may not be enforceable under California law. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws and forum of the state of which our principal place of business is located (currently, Colorado). This provision may not be enforceable under California law.

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR CALIFORNIA (continued)**

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

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If a Franchise Agreement is inconsistent with the law, the law will control.

3. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

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

5. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

**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, 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.).

**ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND**

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

1. The 4th sentence of the 4th paragraph Item 12 of the Disclosure Document is amended to read as follows:

You will also be required to sign a relocation addendum which will include our form of general release; provided, however, that such general release will not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

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

We require you to sign a general release of claims as a condition of the relocation or the sale, transfer or renewal of the Franchise Agreement. The general release will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement requires you to agree to a period of limitations less than 3 years. The period of limitations less than 3 years will not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

The provision in the Franchise Agreement which provides for termination upon bankruptcy of the Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

**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 NEW YORK**

**THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE
DOCUMENT, FOR THE STATE OF NEW YORK ONLY**

1. Item 3 of this Disclosure Document will be amended to include the following language:

Other than the disclosures listed in this section, neither us, our predecessor, a person listed in Item 2, or an affiliate offering franchises under our principal trademark has pending an administrative, criminal or material civil action alleging a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property or unfair or deceptive practices or comparable civil allegations.

Neither us, our predecessor, a person listed in Item 2, or an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversation or misappropriation of property, restraint of trade, unfair or deceptive practices or comparable allegations.

Neither we nor any person identified in Item 2 is subject to any injunctive or restrictive order or decree relating to the franchise or under any Federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or notional securities exchange, as defined in the Securities Exchange Act of 1934, suspending or expelling such persons from membership in such association or exchange.

2. The following language is added to the end of Item 4 of this Disclosure Document:

Neither we, our predecessor, our affiliates, our officers, our general partners, nor any person listed in Item 2, during the 10-year period immediately before the date of the Disclosure Document, has filed as a debtor, or had filed against it, a petition to start an action under the U.S. Bankruptcy Code; obtained a discharge of its debts under the bankruptcy code; or was a principal officer of a company or a general partner in a partnership that filed as a debtor or had filed against it a petition to start an action under the U.S. Bankruptcy Code nor that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held this position in the company or partnership.

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR New York (continued)**

3. Item 17(v) of this Disclosure Document will be amended to add the following paragraph to the end of the chart:

The Franchise Agreement state that any lawsuits filed against us must be filed exclusively in the state or federal court of general jurisdiction in the location in which our principal place of business is located, which is currently Denver, Colorado. Provisions in New York state law supersede this, allowing for lawsuits to be filed in New York.

4. The choice of law provision in Item 17(w) shall not be a waiver of any right provided to us or you by the provisions of Article 33 of the General Business Law of New York.

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR NORTH DAKOTA**

**THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE
DOCUMENT, FOR THE STATE OF NORTH DAKOTA ONLY**

1. The following language is added to the end of the 4th paragraph of Item 12 and to the end of Item 17(c) and 17(m) of this Disclosure Document:

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

2. Item 17(r) of this Disclosure Document will be amended to add the following paragraph:

These restrictions of the covenant not to compete may be subject to Section 9-08-06 of the North Dakota Century Code. These covenants not to compete required by the Franchise Agreement are generally not enforceable under North Dakota law.

3. Item 17(u) of this Disclosure Document will be amended as follows:

All disputes must be conducted in North Dakota or in a location which is mutually agreed upon by us and you.

4. Item 17(v) of this Disclosure Document will be amended to add the following paragraph:

All litigation and arbitration must be conducted in North Dakota or in a location which is mutually agreed upon by us and you.

5. Item 17(w) of this Disclosure Document will be amended to add the following paragraph:

The Federal Arbitration Act and North Dakota laws apply except to the extent that the Franchise Agreement is governed by the United States Trademark Act of 1946 (Lanham Act, 15 USC 1051, et seq.)

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR RHODE ISLAND**

**THIS NOTICE WILL ACT AS AN AMENDMENT TO THE FRANCHISE DISCLOSURE
DOCUMENT, FOR THE STATE OF RHODE ISLAND ONLY**

Item 17(u), (v) and (w) of the Disclosure Document are amended to add the following:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the state laws of another state is void with respect to a claim otherwise enforceable under this Act.”

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR VIRGINIA**

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

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Elements Therapeutic Massage for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17(h):

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM TO
DISCLOSURE DOCUMENT FOR THE
STATE OF WASHINGTON

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

1. The following language is added to the end of Item 17 of the Disclosure Document:

If any of the provisions in this Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of Revised Code of Washington, Section 19.100.180 or any other requirements of the Washington Franchise Investment Protection Act (the “Act”), the provisions of the Act will prevail over the inconsistent terms of the Disclosure Document or Franchise Agreement.

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, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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.

(continued on next page)

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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

**ADDENDUM TO FRANCHISE AGREEMENT
FOR MARYLAND**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR MARYLAND (“this Addendum”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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 Maryland, and the Elements Studio will be located in the State of Maryland, and/or you are domiciled in the State of Maryland.

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. We require you to sign a general release of claims as a condition of the relocation, renewal and/or assignment/transfer of the franchise. Pursuant to COMAR 02. 02. 08. 16L, the release will not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

3. The Franchise Agreement requires you to agree to a period of limitations less than 3 years. The period of limitations less than 3 years shall not apply to any claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The Franchise Agreement requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law. Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. Section 10.1 (d) of the Franchise Agreement which provides for the termination of your Agreement should you become bankrupt or insolvent may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

(continued on next page)

6. Section 14.2: Jurisdiction and Venue of the Franchise Agreement shall be amended to allow you to file a civil lawsuit in Maryland alleging a violation of the Maryland Franchise Registration and Disclosure 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 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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

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, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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: Use of the Marks 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 14 of the Franchise Agreement is amended by adding the following paragraph:

Pursuant to Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J, this section shall not in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, including the right to submit matters to the jurisdiction of the courts of Minnesota and the right to bring a cause of action within three years after the cause of action accrues. You cannot be required to consent to the waiver of a jury trial.

4. 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.

5. 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.

6. 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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

**ADDENDUM TO FRANCHISE AGREEMENT
FOR NEW YORK**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR NEW YORK (“this Addendum”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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, you are domiciled in New York and the Elements Studio will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York.

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. The Franchise Agreement states that any lawsuits filed against us must be filed exclusively in the state or federal court of general jurisdiction in the location in which our principal place of business is located, which is currently Denver, Colorado. Provisions in New York state law supersede this, allowing for lawsuits to be filed in New York.

3. Section 14.1 of the Franchise Agreement shall not be a waiver of any right provided to us or you by the provisions of Article 33 of the General Business Law of New York.

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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

**ADDENDUM TO FRANCHISE AGREEMENT
FOR NORTH DAKOTA**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR NORTH DAKOTA (“this Addendum”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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 North Dakota, and the Elements Studio will be located in North Dakota, and/or you are domiciled in North Dakota.

NOW THEREFORE, Franchisor and Franchisee 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. The following is added to the end of Sections 2.4, 3.2(e), 11.1(k) and 11.2 of the Franchise Agreement:

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

3. Section 12.2 of the Franchise Agreement will be amended to add the following paragraph:

These restrictions of the covenant not to compete may be subject to Section 9-08-06 of the North Dakota Century Code and are generally not be enforceable under North Dakota law.

4. Section 14.1 of the Franchise Agreement will be amended to read as follows:

Except as otherwise required by North Dakota law, this Agreement shall be governed by and construed in accordance with the laws of the state in which our principal place of business is located (currently, Colorado), except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C., Sections 1051 et seq.) and the Federal Arbitration Act or other federal law.

(Continued on next page)

5. 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. To the extent required by the North Dakota Franchise Investment Law, Section 14.3 of the Franchise Agreement is deleted.

7. The first paragraph of Section 14.5 of the Franchise Agreement will be amended to read as follows:

We and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and employees, and you (and your owners, guarantors, affiliates, and employees) arising out of or related to:

- (a) this Agreement or any other agreement between you (or your owners) and us (or our affiliates);
- (b) our relationship with you;
- (c) the scope or validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration obligation under Section 14.5, 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 in the United States (“AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection 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 located within fifty (50) miles of our then-current principal place of business (currently Denver, 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 which we and you mutually agree. All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

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

The statutes of limitations under North Dakota law apply with respect to claims arising under the North Dakota Franchise Investment Law.

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

FRANCHISOR:

ELEMENTS THERAPEUTIC MASSAGE, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

**ADDENDUM TO FRANCHISE AGREEMENT
FOR RHODE ISLAND**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR RHODE ISLAND (“this Addendum”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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, you are a resident of Rhode Island and the Elements Studio will be located or operated in Rhode Island, and/or the offering or sales activity relating to the Franchise Agreement occurred in the State of Rhode Island.

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. Sections 14.1 and 14.2 of the Franchise Agreement will be amended to add the following paragraph:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the state laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

**ADDENDUM TO FRANCHISE AGREEMENT
FOR WASHINGTON**

THIS ADDENDUM TO THE FRANCHISE AGREEMENT FOR WASHINGTON (“this Addendum”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“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 _____, 20____ (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, you are a resident of Washington and/or the Elements Studio will be located or operated in Washington, and/or the offering or sales activity relating to the Franchise Agreement occurred in the State of Washington.

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. The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with us 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 us including the areas of termination and renewal of your franchise.

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

4. A release or waiver of rights executed by you shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

Initial Here: _____

EXHIBIT B
FRANCHISE AGREEMENT

Exhibit B

FRANCHISE AGREEMENT

ELEMENTS THERAPEUTIC MASSAGE, INC.

Highlands Ranch, Colorado 80129

(877) 663-0880

www.elementsmassage.com

info@elementsmassage.com



elements
massage™

FRANCHISEE

EFFECTIVE DATE OF AGREEMENT

TERRITORY

STUDIO NO.

ELEMENTS THERAPEUTIC MASSAGE, INC.
FRANCHISE AGREEMENT

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ELEMENTS THERAPEUTIC MASSAGE, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is entered into by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation with its principal business address at 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129 (“we,” “us” or “our”),

and

(“you,” or “your”)

(Name of Individual or Entity)

A _____
(Type of Entity and State of Organization)

Street Address

City, State, Zip Code

Telephone Number

and is entered into as of the date set forth below our signature on this Agreement (the “**Effective Date**”).

PURPOSE

A. We and our affiliates have developed methods to establish, operate and promote therapeutic massage studios (“**Elements Studios**” or “**Studios**”) offering various forms of therapeutic massage services and other services and products that may be offered in the future. These methods include the use and license of the “Elements Massage” trademark, together with other valuable trademarks, service marks, trade names, symbols, emblems, slogans, insignias, designs and logos, existing now or which may exist in the future (together, the “**Marks**”) for use in establishing, operating and promoting Elements Studios.

B. We grant the right to others to establish and operate Studios under the Marks according to our standards, specifications, methods, techniques, and operating and other procedures (“**System Standards**”), which constitute our unique Elements franchise system (the “**Franchise System**”).

C. The distinguishing characteristics of the Franchise System include the Marks, the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, worksheets, originals, manuals, techniques, rules, ideas, philosophies, illustrations, course materials, the confidential operations manual other manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operations of your Studio (such manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operations of your Studio are collectively referred to in this Agreement as, the “**Operations Manual**”), the System Standards, advertising and promotional materials, other audio, video and written materials, and other aspects of the Franchise System we have developed and designated for use within the Franchise System, or may acquire or develop and designate for use within the Franchise System in the future, all of which we may enhance and further develop (the “**Proprietary Assets**”). For purposes of this Agreement, the term “Proprietary Assets” includes the client lists and other client information of all Studios in the Franchise System, including your Studio.

D. You recognize and acknowledge the benefits to be derived from being identified and associated with us, and being able to utilize the Franchise System and concepts and, therefore, desire to establish a Studio at an approved location. We are willing to grant you the right to operate a Studio under the terms and subject to the conditions contained in this Agreement.

E. You have been informed and hereby acknowledge that the successful operation of a Studio will depend primarily upon your efforts, capabilities and management skills as well as your efficient operation of the Studio. We make no claims or representations whatsoever regarding potential sales, profits or earnings achievable by you or your Studio.

1. GRANT OF FRANCHISE

- 1.1. Grant of Franchise. We hereby grant to you, and you accept from us, the right to use the Marks and Proprietary Assets to establish and operate one Elements Studio at the Studio Location described in Section 2.2. You agree to use the Marks and Proprietary Assets, and conform to the System Standards, as they are periodically changed, improved and further developed by us and our affiliates, only in accordance with the terms, and subject to the conditions, of this Agreement. You do not have any right to sublicense or sub-franchise your Studio.

2. TERRITORY; LOCATION; PROTECTED AREA

- 2.1. Territory. Upon execution of this Agreement, you will identify a specific defined territory in which to locate your Studio, which will be described on Exhibit 1 of this Agreement (the “**Territory**”). The Territory is the area in which you will focus your efforts to find an acceptable location for your Studio. We are identifying the 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 Territory. You acknowledge and agree that the Territory description set forth on Exhibit 1 is subject to change upon mutual agreement by you and us. Any change in the Territory shall be made in the form of an amendment to this Agreement, which must be signed by you and us prior to you beginning the site selection process within the amended Territory.
- 2.2. Site Selection. Unless we otherwise agree in writing, you will operate your Studio from a specific site or location within the Territory which we have approved (the “**Studio Location**”). You acknowledge and agree that our approval of the site for your Studio does not constitute a guarantee, recommendation, or endorsement of the Studio Location and that the success of your Studio depends upon your abilities as an independent businessperson. Our approval simply means that the Studio Location meets our current location criteria, which means it meets our requirements with respect to demographics, neighborhood characteristics, size, appearance, convenience, proximity to other businesses, and other characteristics we deem appropriate. During the term of this Agreement, the Studio Location shall be used exclusively to operate a Studio.

We, or at our option, a third party we designate, may provide real estate services to assist you in obtaining a site for your Studio. However, it is your sole responsibility to locate a suitable site for your Studio. Upon executing this Agreement, you must begin searching for a site for your Studio, making diligent efforts to work with us (or a third party we may designate) to review site information, view locations and review letters of intent, so that you can locate a site and sign a lease in a timely manner. Although there is no deadline by which you are required to select a site, you must open your Studio within by the commencement of operations deadline set forth in Section 7.3(b).

- 2.3. Protected Area. During the term of this Agreement, if you are not in default under this Agreement, we and our affiliates will not establish or operate, or sell to or grant a license for any other person to establish or operate another Elements Studio within a one-mile radius of your Studio Location (the “**Protected Area**”). This Agreement does not

provide you with any options, rights of first refusal, or similar rights, to acquire additional Studios.

- 2.4. Relocation of Your Studio. You must obtain our prior written approval in order to relocate your Studio. Our approval will be based on a variety of factors including, but not limited to, the viability of the Studio Location and the availability of alternative locations. We will provide a written response to any relocation request within 30 days of receiving your written request. We have no obligation to approve any relocation requests and can deny any such request for any reason. If approved, you must pay all costs of relocating your Studio and sign a relocation addendum which will include our form of general release, and which may include a non-disparagement clause. If you cease operating your Studio for more than 30 days before relocation, we may require you to terminate this Agreement and sign our then-current franchise agreement for the new location; however, you will not be required to pay a new Initial Franchise Fee.

3. **TERM; RENEWAL**

- 3.1. Initial Term. The initial term of this Agreement is for a period of 10 years from the Effective Date, unless sooner terminated pursuant to the terms of this Agreement.

- 3.2. Renewal. At the end of the initial term you may, at your option, renew this Agreement for successive additional 5-year terms (each, a “**Renewal Term**”), provided that:

- (a) you provide us written notice of your election to renew at least 180 days (but not more than one year) prior to the end of the term of this Agreement;
- (b) at the time you provide the written notice of renewal, you are not in default or under notice of default of any provisions of this Agreement or of any other agreement between us, including any other franchise agreement, master franchise agreement and/or area director agreement, and you have been in substantial compliance with the terms and conditions of all such agreements (including this Agreement) during the term of this Agreement;
- (c) all monetary obligations you owe us (under this Agreement or any other agreements between us, including any other franchise agreement, master franchise agreement and/or area director agreement) have been satisfied and paid when due throughout the term of this Agreement;
- (d) you sign and agree to be bound by our then-current form of franchise agreement, which may contain terms and conditions materially different from those set forth in this Agreement, including terms changing the Protected Area, the Royalty (defined in Section 4.2) and other fee amounts; provided you will not be required to pay a new Initial Franchise Fee (although you will have to pay us the renewal fee set forth below);
- (e) you, your owners, and any guarantors under this Agreement, sign a general release in a form satisfactory to us, which will include a non-disparagement

clause, releasing any and all claims against us, our affiliates, and our and their respective shareholders, members, owners, principals officers, directors, employees, representatives, agents, successors and assigns, in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances and claims under this Agreement and the business relationship between us;

- (f) you and any other person who has an interest in your Studio (if Franchisee is a legal entity or two or more individuals) and your manager (or individual having management responsibility for the day-to-day operations of your Studio) must attend and satisfactorily complete such refresher training as we may require, at such time and place prior to expiration of the term of this Agreement as we may designate;
- (g) you pay us a renewal fee equal to \$10,000; and
- (h) if we deem it necessary, you must upgrade, remodel and refurbish, at your sole expense, the inside and outside of your Studio to conform to our then-current standards. The upgrade may include, but is not limited to, signs and equipment. All such upgrades, remodels and refurbishments must be performed in accordance with our System Standards and other standards and specifications we may designate.

4. **FEES; PAYMENTS**

- 4.1. Initial Franchise Fees. You must pay to us, in the form of a lump sum payment, by cashier's check or wire transfer, the amount of \$49,500 as a non-refundable initial franchise fee (the "**Initial Franchise Fee**").

The Initial Franchise Fee must be paid at the time you sign this Agreement. The Initial Franchise Fee is fully earned by us when paid by you and is not refundable under any circumstances.

- 4.2. Royalty. On the fifth (5th) day of the first full calendar month after opening your Studio (or if you are converting an existing business to a Studio, the first full calendar month after the date you sign the Franchise Agreement) and on the 5th day of each month after that date during the term of this Agreement, you must pay to us a continuing royalty of six percent (6%) of your gross receipts (as defined below) (the "**Royalty**"). We reserve the right, but not the obligation, to collect the Royalty on a weekly, rather than monthly, basis upon notification to you.

If we are unable to obtain your gross receipts directly from our approved computer system used by you to record receipts, we may debit your account for an estimated Royalty equal to one hundred ten percent (110%) of the average of your previous three (3) months of gross receipts for your Studio ("**Estimated Royalty**"). If the Estimated Royalty we debit from your account is less than the amount you actually owe us (once we have determined your Studio's true and correct gross receipts), we will debit your

account for the balance on the day we specify. If the Estimated Royalty we debit from your account is greater than the amount you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

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

- 4.3. Electronic Funds Transfer. You authorize us and our affiliates, as set forth in Exhibit 2 of this Agreement, to automatically withdraw funds from your bank account (sometimes referred to as ACH or auto-debit) to pay the Royalty based on your gross receipts from the previous month, as reported by you or obtained by us from our approved computer system used by you to record receipts, and to pay any other amounts you owe us or our affiliates under this Agreement or otherwise (the “ACH Authorization”). The ACH Authorization shall remain in full force and effect during the term of this Agreement. You must comply with our and our affiliates’ procedures and instructions in connection with the auto-debit process, and sign any document or take any action that may be required to effect this authorization. You agree to ensure that funds are available in your designated account to cover our withdrawals. Some banks charge fees for ACH transactions and, to the extent your bank charges ACH fees, you agree to pay those fees. In the event any Royalty payment is not paid on a timely basis, we will also have the right to ACH from your bank account such late fees, default fees or other fees that may be assessed in connection with your non-timely payment, or such other fees or payments as we may periodically designate.

All amounts due under this Agreement or otherwise shall be payable by ACH; however, we reserve the right to require payment 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. Your failure to comply with our payment instructions will also be considered a default under this Agreement.

- 4.4. Definition of Gross Receipts. Gross receipts include: (a) all of your revenue and receipts, including those taken by cash, credit card, debit card, check, trade, barter or exchange, electronic funds transfer, or any other means of credit which are derived from the operations of your Studio, including, but not limited to, the sale of massage and bodywork services, merchandise, products, or any other products or services which are sold by you, whether sold at your Studio location or from an off-site location, excluding sales, use or privilege taxes paid to the appropriate taxing authority, refunds that are made to customers, and tips received by massage therapists; and (b) the gross redemption amount of gift cards (which may be redeemed at any Studio). In addition, should your business be interrupted for any reason and you are receiving business interruption insurance payments, the gross amount of these payments will be considered to be gross receipts and will be subject to the Royalty.

- 4.5. Product And Supply Orders. You are required to purchase certain equipment, products, materials and/or services from our Approved Suppliers (defined below), which could be

us or one of our affiliates, at the prices listed in the Operations Manual, on our website, or in such other place as we may designate.

- 4.6. Default Fee. If you are in default of this Agreement and we send you a default notice, you must pay us a fee of \$250.00.
- 4.7. Set-Up Fees; Technology Fee. You must use computer hardware and software we designate in the operation of your Studio. Prior to opening your Studio, you will be required to pay us a computer hardware and software set-up fee of \$499 and a gift card program set-up fee of \$75, each payable by ACH. You must also pay us a monthly technology fee, which is currently \$250, payable by ACH on the first day of each calendar month, beginning 2 months prior to your Studio opening. We may periodically change the amounts of the set up fees and monthly technology fee, and/or the hardware and software requirements, and we may require you to purchase new or additional hardware and software. You may be required to execute a software license or other agreement in connection with your use of the required computer software. Other than providing the hardware and software specifications and Approved Suppliers from which you can purchase the required computer hardware and software, we are not obligated to provide you with any assistance in obtaining the required computer hardware and software or any support in connection with your use of the required hardware and software.
- 4.8. Dishonored Checks/Insufficient Funds. If you write us a check that is returned, cancelled or dishonored, or if we ACH your bank account and your account has insufficient funds or is inaccessible, you must pay us an insufficient funds fee of \$150.00.
- 4.9. Changes to Fees and Requirements. We may revise our System Standards and Operations Manual to implement new or different operating requirements and fees; provided, however, no such revision will increase your Royalty, contributions to the Marketing Fund, or Ongoing Marketing Spend Requirement to an amount greater than the amount as provided herein. You agree to comply with any new or changed requirements and fees.
- 4.10. Set-Offs. You have no right to set off any amounts you owe us against amounts we owe you, and you hereby expressly waive any such right. You agree you will not withhold payment of any fee or other amount you owe us (whether under this Agreement or any other agreements between us, including any other franchise agreement, master franchise agreement and/or area director agreement) because of alleged nonperformance of our obligations under this Agreement or otherwise. Absent a court order to the contrary, if you withhold any amounts owed to us and we pursue collection of such amounts, you must pay all of our reasonable costs, including court costs, attorneys' fees, the value of our employees' time, witness fees and travel expenses in connection with our collection efforts.
- 4.11. Marketing Fund Fee. You agree to make contributions to the Marketing Fund (as defined in Section 8.3(a)) in an amount equal to one percent (1%) of your gross receipts. Your

contribution to the 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.

- 4.12. Lease Review Fee. Upon entering into a letter of intent for the lease of your Studio Location with the landlord, you will be required to pay us or our Approved Supplier (which may be an affiliate of ours) a lease review fee of \$1,500 ("**Lease Review Fee**"). The Lease Review Fee pays the expenses we incur to review and (if we so choose) to negotiate certain provisions of the lease on our behalf. You acknowledge and agree that (i) our review of the lease is for our benefit only and you are not a third-party beneficiary of our lease negotiation or review, (ii) we do not guarantee that the terms, including rent, will represent the most favorable terms available in that market, and (iii) you should engage your own attorney or legal advisor to review and negotiate the lease on your behalf. We will charge you only one (1) Lease Review Fee unless you refuse to sign a lease that we have approved for the Studio Location, and we are then required to engage in one or more additional lease reviews for the Studio Location (or for a different Studio Location if you refuse to sign a lease for the first proposed Studio Location). In such event, you will pay us or our Approved Supplier (which may be an affiliate of ours) one or more additional Lease Review Fees.

5. **OUR RELATIONSHIP; OUR OBLIGATIONS TO YOU**

- 5.1. Our Relationship with You. We and you agree that each of us is an independent business person, our only relationship is by virtue of this Agreement, and no fiduciary relationship is created under this Agreement. No agency, employment or partnership is created or implied by the terms of this Agreement. In all public records, in your relationship with other persons, and in any disclosure document, prospectus or similar document, you must indicate clearly that you independently own your Studio and that the operations of your Studio are separate and distinct from the operations of our business. Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business.
- 5.2. Training. We or our designee will provide initial training ("**Initial Training**") to up to three individuals. You (or, if you are an entity, one of your co-owners) and, if not the same person as you (or the designated co-owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete Initial Training to our satisfaction before your Studio opens, but not prior to 6 weeks before the scheduled opening. The third individual may attend Initial Training at any time before or after your Studio opens; provided, however, scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training. Any replacement manager (or employee having responsibility for the day-to-day operations of your Studio) must also attend and complete the Initial Training to our satisfaction. We have the discretion to determine whether or not any individual has successfully completed Initial Training. If you are converting your existing business to a Studio, then you (or, if you are an entity, one of your co-owners) and, if not the same person as you (or the designated co-owner), your manager (or the individual having responsibility for the day-to-day operations of your Studio) must complete Initial Training within 180 days

after you sign the Franchise Agreement. You must ensure that an individual who has completed the Initial Training to our satisfaction is on-site at your Studio for a minimum of 50 hours per week. If you own and operate more than 1 Studio, each Studio must have an individual who has completed Initial Training to our satisfaction on site for a minimum of 50 hours per week. You must pay for all travel, accommodations, meals and other expenses incurred by all individuals who attend Initial Training.

We or our designee will provide, at no additional cost to you, 2 days of on-site assistance and support in connection with the opening and initial operations of your Studio. We have discretion to determine the individuals who will provide this on-site support. If, upon the arrival of the support team at your Studio, we determine in our discretion that you are not ready to open your Studio, or if we determine in our discretion that you require or would benefit from additional on-site opening support, you will be responsible for the reasonable travel and living expenses incurred by our support team in providing the postponed or additional assistance.

If you purchase additional franchise agreements, you will designate up to three individuals per franchise agreement to attend Initial Training; however, neither you nor your co-owners will be required to attend Initial Training if you have already done so

If you want more than three individuals (per franchise agreement) to attend Initial Training (such as new or additional managers or employees), you must pay us a fee of \$500 per person and you must pay for all travel, accommodations, meals and other expenses incurred by these individuals. Initial Training for additional individuals will be offered during our regularly scheduled Initial Training sessions; provided, however, scheduling preference will be given to new franchisees who have not yet had an individual participate in Initial Training.

- 5.3. Additional Training and Conferences. We may require that you pay the \$500 fee described above, and you are required to pay all travel, accommodations, meals and other expenses, for each individual you may designate for any refresher training we make available to our franchisees or for any optional training programs we may conduct from time to time. You must attend any annual conferences or seminars that we may require at a location we designate. You agree to pay all costs to attend.
- 5.4. Supplies and Source of Supplies. We may designate specific products that you must purchase, and require that you purchase products and services from suppliers and vendors we approve. We will provide you with the System Standards in the Operations Manual we make available to you. We can modify, amend and change our System Standards, Operations Manual, and other standards and specifications at any time and you agree to abide by any such modified, amended or changed provisions.

To the extent we have approved certain manufacturers, vendors, distributors, suppliers and producers, which may be us or our affiliates (collectively, “**Approved Suppliers**”), you are required to purchase from the Approved Suppliers. We reserve the right to require you to participate in certain mandatory service programs. You must purchase all goods and services required for the operation of your Studio from the Approved

Suppliers (which may be one supplier for any given product or service) under terms, in the manner, and from the source designated by us or any of our affiliates. If you wish to purchase any product or service from a supplier that is not an Approved Supplier, you must first submit to us a written request to do so. Our fee for evaluating the supplies or supplier you request is \$100 per hour, which you must pay to us when invoiced. We will typically provide a response to the written request within 30 days from our receipt of the request. We may require that samples of the product produced by the proposed alternative supplier be delivered to us for review and testing. We may withhold approval of a supplier for any reason. We will not approve a new supplier or continue to approve any supplier unless the supplier has agreed that we have a right to inspect the supplier's premises and products. If any inspection discloses a supplier's failure to maintain our specified criteria for products or services, we may revoke our approval in writing. We do not make available to our franchisees our criteria for approving suppliers. If an exclusive supplier already has been designated for the equipment, products, services, supplies, or materials proposed to be offered by a new vendor, your request for a new vendor likely will be rejected without further review or investigation. **ALTHOUGH SUPPLIES OR SUPPLIERS MAY BE APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO INVENTORY, PRODUCTS, FIXTURES, FURNITURE, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY REQUIRED COMPUTER SYSTEMS), SIGNS, STATIONERY, SUPPLIES OR OTHER APPROVED ITEMS.**

- 5.5. Studio Design. We, or at our option, our Approved Supplier will provide you with a list of recommended and required specifications and guidelines for the design and layout of a typical Studio. You must comply with all such specifications and guidelines unless we approve otherwise in writing.
- 5.6. On-going Support and Assistance. We or our designee will provide the following operational support to you as we deem appropriate:
- (a) opening support and ongoing operational support of your Studio by telephone, in person, or otherwise;
 - (b) recommendations for advertising and promotional materials;
 - (c) merchandising, marketing and other data and advice as may periodically be developed by us;
 - (d) advice, consultation and assistance regarding the operations of your Studio based primarily on our inspections of your Studio and reports you are required to provide to us. This assistance may be provided by telephone or in person or by newsletters, bulletins, or otherwise as we deem necessary or appropriate from time to time; and
 - (e) such other resources and assistance as we may develop and provide in the future.

5.7. Our Reservation of Rights.

- (a) Right to Modify the Franchise System. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administer, develop, and change the Franchise System in any manner that is not specifically precluded by the provisions of this Agreement.
- (b) Adaptations and Variances. Because uniformity under varying conditions may not be possible or practical, we specifically reserve the right to vary standards for any Studio. If we vary standards for any Studio, we have no obligation to vary standards for your Studio.
- (c) Right to License to Others. We may use and license others to use the Marks, Proprietary Assets and the Franchise System for the operation of Studios anywhere outside of your Protected Area. Except as otherwise specifically provided in this Agreement, nothing in this Agreement shall restrict our rights, or grant any rights to you, with respect to the pursuit of any business concept other than the Franchise System concept.
- (d) Right to Develop and Franchise Other Systems. Unless specifically stated in this Agreement, we retain the right to develop, use and franchise the rights to any systems, businesses, trade names, trademarks, service marks, trade symbols, emblems, signs, slogans, insignia, or copyrights not designated by us as part of the Franchise System, the Proprietary Assets, or Marks, at any location, including within the Protected Area, on such terms and conditions as we may deem advisable, and without granting you any rights therein.
- (e) Right to Sell Products and Services. We may sell any products or services, including those similar to the products and services offered by Studios, anywhere, using the Marks or not, through various channels of distribution (including internet, wholesale, mail order and retail). Franchisees may use various channels of distribution, such as direct mail, email and internet (but only through Studio websites maintained through us) to market their Studios, provided that we have approved any marketing materials. Franchisees must not market their Studios or the services provided by the Studios by sending or transmitting unsolicited advertising or marketing faxes.
- (f) Right To Transfer, Assign, Purchase or Be Purchased. You acknowledge and agree that we have the right to transfer or assign all or any part of our right and interest in and to, and our obligations under, this Agreement to any person or legal entity without your approval. We also have the right to purchase or be purchased by, or merge or combine with, any Competitive Business (as defined in Section 12.1) or any other competing or other business, even if such business has locations within the Protected Area.

- (g) Right to Delegate Obligations. You acknowledge and agree that we have the right to delegate to third party designees the performance of all or any portion of our obligations under this Agreement.
- (h) Notice of Potential Profit. We or our affiliates may derive revenues or profits, or obtain other consideration, from your dealings with our Approved Suppliers or other suppliers. You acknowledge and agree that we have the right to receive payments, discounts, promotional allowances, and other payments from any supplier based on your purchases and the purchases of our other franchisees. Additionally, we have the right, and you acknowledge and agree that we are entitled, to derive revenues, profits and other consideration from your purchases from us or our affiliates.

6. USE OF THE MARKS

- 6.1. Ownership; Goodwill. You acknowledge that we and our affiliates have the sole right to license and control your use of the Marks and that the Marks shall remain under our and our affiliates' sole and exclusive ownership and control. You acknowledge that you do not acquire any right, title, or interest in the Marks except for the right to use the Marks in the operation of your Studio under this Agreement. You will display the Marks prominently at your Studio and on forms, advertising, marketing and other materials in the manner we prescribe. Any unauthorized use of the Marks by you shall constitute a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your use of the Marks and any resulting goodwill is for our exclusive benefit.
- 6.2. Limitation on Use. You shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols other than as approved in writing by us, nor may you use any Mark in connection with unauthorized services or products or in any other manner not expressly authorized by us in writing. You agree that no service or trade mark other than the Marks shall be used in the marketing, promotion, or operation of your Studio.
- 6.3. Discontinuance of Use of Marks. If it becomes advisable at any time for us or you to modify or discontinue the use of any Mark, or to use an additional Mark, you must comply with our directions to do so within a reasonable time after we provide notice to you. We need not reimburse you for any lost revenue or the costs you incur to comply with such direction, including the costs to change your Studio's signs, replace proprietary supplies or promote the modified or newly required Marks.
- 6.4. Notification of Infringements and Claims. You must notify us immediately of any possible infringement of any Mark or use of a trademark confusingly similar to the Marks that comes to your attention. You must also notify us of any challenge to your use of the Marks. You may not communicate information about an infringement or challenge with any person other than us, our affiliates, our counsel, or your 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 United States Patent and

Trademark Office or other administrative proceeding arising out of any infringement, challenge or claim related to the Marks. We are not contractually obligated to protect you against infringement or unfair competition claims arising out of your use of the Marks, nor are we required to participate in your defense or indemnify you. However, we might choose to do so if, in the opinion of our legal counsel, such action is necessary or appropriate under the circumstances. In that case, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. We will not pay any of your attorneys' fees if you hire your own attorney. You must cooperate with us in any litigation. You must execute any and all instruments and documents, render such assistance, and perform such acts as may be necessary or advisable to protect and maintain our interests in the Marks.

7. OPERATION OF YOUR FRANCHISE; YOUR OBLIGATIONS

- 7.1. Employees, Agents and Independent Contractors. We acknowledge that you may hire employees, agents or independent contractors to assist in the operation of your Studio. You agree that any such employee, agent or independent contractor shall be required to execute a confidentiality and non-compete agreement, substantially in the form set forth as Exhibit 5 to this Agreement ("**Form of Confidentiality Agreement**") or as we otherwise provide to you. You acknowledge and agree that the Form of Confidentiality Agreement is a form of agreement only, and that it 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-compete agreement you require your employees, agents and independent contractors to sign.
- 7.2. Lease Approval. We must approve any lease for your Studio premises and any amendment to, or renewal or assignment of the lease prior to you signing such lease, amendment, renewal, or assignment. You acknowledge and agree that any review and approval of any Studio premises or lease is for our sole benefit and the benefit of the Franchise System, and are not intended to imply or guarantee the success or profitability of any Studio Location. You acknowledge that you have been advised to obtain the advice of your own professional advisors before signing a lease. You and your legal and other advisors are solely responsible for negotiating the terms of the lease for your Studio's premises. However, your lease must include the terms of our letter of intent and lease addendum attached hereto as Exhibit 6, unless otherwise approved by us in writing. If you are acquiring an existing Studio and assuming a lease that does not contain the terms of our lease addendum, you and the landlord must execute the lease addendum in the form attached hereto as Exhibit 6, unless otherwise approved by us in writing. You (and not any of your affiliates or owners) must be the tenant on the lease for the Studio's premises. You agree to provide us a copy of the fully executed lease for your Studio and any amendments or renewals of your lease upon signing and at any time upon our request.

7.3. Opening Your Studio.

- (a) **Build-Out.** You are required to use one of our Approved Suppliers for construction services, which include all design, architecture and construction services related to the build-out of your Studio. If you wish to use a supplier that is not our Approved Supplier, you must comply with the evaluation process and pay the evaluation fee set forth in Section 5.4. If we approve an exception to the requirement that you use one of our Approved Suppliers of construction services, you are required to pay us a construction management fee of \$5,000. After obtaining possession of the Studio Location, you must promptly complete the following:
1. prepare (or cause to be prepared) and submit to us for our approval, a site survey and any proposed modifications to our conceptual designs and specifications (not including construction) including, but not limited to, modifications to our required dimensions, exterior and interior design, materials, layout, equipment, fixtures, furniture, and signs and décor; provided, however, that modifications are permitted only if required to comply with applicable ordinances, building codes and permit requirements and are subject to our prior written approval;
 2. obtain all permits and licenses for the lawful construction and operation of the Studio, together with all certifications from government authorities having jurisdiction over the Studio Location that all requirements for construction and operations have been met, including, but not limited to, zoning, access, sign, health, fire, and safety requirements, building and other required construction permits, licenses to do business, fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances;
 3. obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation services;
 4. purchase or lease equipment, furniture, fixtures and signs as provided under this Agreement or in the Operations Manual;
 5. complete the construction and build out of the Studio premises, including installing equipment, fixtures, furniture and signs, and decorating your Studio, in full and strict compliance with the plans and specifications we have approved, and in accordance with all applicable ordinances, building codes and permit requirements; and
 6. otherwise complete all other aspects of developing your Studio as we may reasonably require in order to be able to commence operation of your Studio on or before the Projected Opening Date (defined below).

- (b) Commencement of Operations. You must have your Studio open and operating within 12 months from the Effective Date (the “**Projected Opening Date**”), unless otherwise specifically approved by us in writing. If you fail to meet the Projected Opening Date, and wish to extend the deadline to have your Studio open and operating, we may, at our sole discretion, grant you a one-time, 12-month extension to have your Studio open and operating (the “**Opening Extension**”), which will expire automatically on the date that is 24 months after the Effective Date (the “**Extended Opening Date**”). In exchange for our granting you the Opening Extension, you agree, prior to the Projected Opening Date, to: (i) execute such documents and agreements as we require, which will include our form of general release and may include a non-disparagement clause, and (ii) if you have not signed a lease for the Studio Location by the Projected Opening Date, pay us a nonrefundable extension fee of \$7,500 (“**Extension Fee**”).

You may not open your Studio for business until (a) we notify you that you have properly equipped your Studio, (b) you and your employees and other personnel have successfully completed the applicable training to our satisfaction, (c) you have paid all amounts due to us and our Approved Suppliers and other vendors, (d) you have obtained all required licenses and permits to operate your Studio, and (e) you have obtained our required minimum insurance coverage for your Studio and have provided us with a certificate of insurance and evidence that you have paid your insurance premium.

- 7.4. Insurance. Before your Studio opens, you must purchase insurance coverage from our Approved Supplier; provided, however, you may obtain worker’s compensation insurance from your payroll provider or any reputable insurer. You must maintain the insurance throughout the duration of the term of this Agreement. Each insurance policy for your Studio must designate as additional insured parties us, our senior secured lender, and, if requested by us, any of our affiliates or area directors or other parties we may designate from time to time. In addition, each insurance policy must provide that all additional insured parties will receive at least 30 days’ prior written notice of termination, material amendment or cancellation.

Prior to opening your Studio, and then a minimum of annually or upon our request, you must provide to us a certificate of insurance (including those of each of your employees if required) reflecting the following minimum coverage limits: (a) \$1,000,000 per occurrence (\$2,000,000 in the aggregate) comprehensive general liability; (b) \$60,000.00 business interruption; (c) worker’s compensation; (d) property insurance in amounts that protect your Studio’s personal property, fixtures, and improvements; (e) at least \$1,000,000 per occurrence (\$2,000,000 in the aggregate) professional liability coverage due to errors or omissions in the performance of services at your Studio, (f) at least \$100,000 per occurrence (\$300,000 in the aggregate) for sexual abuse and molestation coverage; and (g) at least \$1,000,000 per occurrence hired and non-owned auto insurance.

We reserve the right to change or modify (including increasing) the required minimum coverage limits. You acknowledge and agree that the 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 or coverage limits that are or might be appropriate for your Studio. Additional insurance coverage or increased coverage limits might be appropriate based upon, for example, the location of your Studio. You agree to seek the advice of your insurance advisor regarding the appropriate types of coverage and coverage limits you may need to sufficiently protect your Studio.

If you fail to obtain or maintain the required insurance, or if you fail to provide us with proof of insurance coverage, we may, but are not obligated to, obtain the insurance for you and maintain it in full force and effect. You acknowledge and agree that, in the event we obtain or maintain insurance on your behalf, you will pay the applicable premiums, or reimburse us for the applicable premiums, by authorizing us to ACH your bank account for such amounts. You must also pay, or reimburse us for, our reasonable costs to obtain insurance on your behalf. If you do not comply with these insurance provisions, you will be in material breach of this Agreement. In addition to all other available remedies, we may demand that you cease operating the Studio for any period during which you do not have insurance coverage.

7.5. Operation of Your Studio.

Your Responsibilities. You are solely responsible for the successful operation of your Studio and for the performance of all of your obligations arising from the operation of your Studio, including, without limitation, the payment (when due) of all applicable taxes and the procurement and maintenance of all required or applicable business licenses and permits, including any changes to such licenses and permits. You shall at all times during the term of this Agreement own and control the Studio. Upon our request, you will promptly provide satisfactory proof of such ownership to us. You represent that the Statement of Ownership set forth as Exhibit 3 to this Agreement is true, complete, accurate, and not misleading.

- (a) System Standards. You must operate your Studio in accordance with our System Standards, as described in the Operations Manual. You acknowledge receipt of a copy of the Operations Manual, which we are loaning to you. We have the right to revise the System Standards and the contents of the Operations Manual to meet changing conditions. The System Standards exist to protect our interests in the Franchise System and the Marks, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. You acknowledge and agree that you will comply with the System Standards as they may be periodically changed or modified.
- (b) Operations Manual Requirements. You must at all times keep your copy of the Operations Manual current and up-to-date. In the event of any dispute as to the contents of the Operations Manual, the master copies maintained by us at our principal place of business shall be controlling.

You must treat the Operations Manual and the information it contains as confidential, and must use all reasonable efforts to maintain the information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce the Operations Manual, in whole or in part, or otherwise make it or any part of it available to any unauthorized person. The Operations Manual will remain our sole property and must be kept in a secure place on the Studio premises.

You agree that the provisions of the Operations Manual, including the System Standards applicable to the Franchise System, and any changes and modifications to the Operations Manual, System Standards and Franchise System as we may make from time to time, are incorporated into this Agreement and are an essential part of your obligations under this Agreement.

At our option, we may post all or portions of the Operations Manual on a restricted website, intranet or extranet to which our franchisees will have access. If we do so, you agree to monitor and access the website, intranet or extranet for any updates to the Operations Manual. Any password or other digital identification necessary to access the Operations Manual will be deemed to be our proprietary information, subject to the confidentiality provisions of this Agreement.

- (c) Products and Services. You acknowledge and agree that you are authorized to offer only those services and products we designate from time to time in the Operations Manual or otherwise. There are no limitations on our right to designate additional authorized services and products that you must offer. You cannot offer any other types of services or products, or operate or engage in any other type of business or profession, from or through the Studio, unless you first receive our written consent. You must participate in client membership programs as we require.

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. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us 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.

- (d) Studio Management. You acknowledge and agree that you are solely responsible for all decisions relating to your employees including, without limitation, hiring

and terminating your employees. During the term of this Agreement, except as we otherwise approve in writing, you (or if you are a legal entity, one of your owners, members, shareholders, directors or officers) or your manager, must devote full time and best efforts to the management and operation of your Studio. Your Studio must be under the direct on-site supervision of an individual who has satisfactorily completed Initial Training for a minimum of 50 hours per week. If you are an individual, we strongly recommend that you be the full time, on-site supervisor of your Studio's operations. We impose no limitations on, or requirements with respect to, who you may hire, except that you must comply with all applicable laws, and must not harm the goodwill associated with the Marks, the Proprietary Assets and the Franchise System. Your manager and other employees may be required to attend and complete Initial Training and will be required to enter into a non-compete and confidentiality agreement. You must perform background checks for all employees you hire and update the background checks as specified in the Operations Manual. These requirements may affect who you may hire.

- (e) Computer Hardware and Software. The minimum computer hardware requirements are specified in the Operations Manual. You may use any brand of computer hardware meeting our specifications and may acquire your computer hardware from any source. You must keep your computer in good working order and obtain and install the upgrades necessary to efficiently operate your Studio. You are responsible for consequences arising from improper use and/or poor upkeep and maintenance of your computer.

You must use the software programs designated and described in the Operations Manual or otherwise designated by us which include the Studio management and customer satisfaction software.

You must follow the Payment Card Industry Data Security Standards or any subsequent similar standards we require and are solely responsible for all costs associated with these security issues. You must notify us if a data breach has occurred with respect to consumer data.

- (f) Computer Hardware and Software Updates. You must upgrade any hardware component or software program at any time to be compatible with the software package we require.
- (g) Accounting Software; Financial Reports. You must use the accounting software described in the Operations Manual or otherwise designated by us and maintain full, complete, and accurate books, records, and accounts. On the 25th of each calendar month, you must provide to us, in the form we prescribe, a profit and loss statement and a balance sheet for the preceding month. Within 90 days of the end of your fiscal year, you must submit to us a profit and loss statement for that fiscal year and a balance sheet as of the last day of the fiscal year prepared on an accrual basis, including all adjustments necessary for a fair presentation of your financial results. You must also maintain a report of all promotional expenditures

relating to the Ongoing Marketing Spend Requirement, which we may review at our request. All such financial statements and report shall be prepared in accordance with generally accepted accounting principles, consistently applied, and shall be accurate and complete in all material respects.

- (h) Additional Financial Information; Our Right to Audit. In addition to the financial statements and reports described above, we shall have the right to periodically request additional financial information about your Studio and to inspect and audit your books and records. You must permit us or our representatives or designees to enter your Studio during normal business hours to inspect and examine your operations, facilities, books and records, and you must cooperate with such inspections by rendering assistance as we or they may reasonably request. We and our affiliates may collect the Studio's books, records and other financial information for review in any form or manner we reasonably determine including, without limitation, requiring you to send documents to our offices. If an inspection or audit of your books and records reveals a deficiency in amounts owed to us, then those amounts shall become immediately due and payable to us, with interest at the rate of 12%, calculated on a per annum basis, from the date the amount was due until paid. If an inspection or audit discloses an understatement of two percent (2%) or more, then you will also reimburse us for any costs and expenses, including accountants' and attorneys' fees, in connection with the inspection or audit. You must retain your books and records for three years following the fiscal year to which they relate.
- (i) Financing and Title to Assets. You agree that you will directly obtain all financing required for the development and operation of the Studio and that no third party will obtain financing on your behalf. You further agree that you will directly own all of the assets necessary for the operation of the Studio.
- (j) 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 the 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 the Studio), wherever located, used in connection with the 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 lending you working

capital for the operation of your Studio, we will agree to do so in accordance with our then-current form of subordination agreement.

- (k) Other Products and Services. You may not install or maintain on your Studio premises any newspaper racks, video games, juke boxes, gaming machines, gum machines, games, rides, vending machines or other similar items without our prior written approval.
- (l) Inspections. We shall have the right to interview your clients and inspect your Studio, and to examine and copy your books, records, and documents, including, without limitation, inventory, products, equipment, materials, and supplies, to ensure compliance with our designated standards and specifications. We have the right to conduct inspections with or without prior notice to you. If we provide you prior notice, you or one of your co-owners are required to be present at the Studio during the inspection.

7.6. Your Other Obligations. To further protect the Marks, the Proprietary Assets and the Franchise System, and their associated goodwill, you must:

- (a) attend and satisfactorily complete Initial Training and make certain that any other employee or individual having day-to-day supervisory responsibility for Studio operations attends and satisfactorily completes the Initial Training;
- (b) train your employees and other individuals working in your Studio so that they meet the qualifications established by us from time to time;
- (c) ensure that all of your massage therapists are licensed (if required in your jurisdiction), have adequate insurance, including professional liability insurance or the equivalent;
- (d) feature and use the Marks and Proprietary Assets solely in the manner prescribed by us;
- (e) observe such reasonable requirements with respect to the Marks, fictitious name registrations, and copyright notices as we may direct from time to time;
- (f) not offer, sell or promote, in connection with the Marks or any same or similar mark, any type of massage or bodywork services or other services or products other than those authorized by us under this Agreement;
- (g) sell or offer for sale at the Studio only services and products that we require or recommend and meet our current System Standards established in our Operations Manual;
- (h) use advertising, promotional and other materials displaying only the Marks and other names, marks, insignia and symbols we recommend or require for the Franchise System;

- (i) equip and stock your Studio with the equipment, furniture and fixtures, inventory, products and supplies required and approved by us so that at all times your Studio can operate at maximum capacity;
- (j) comply with all laws, ordinances and regulations applicable to the operation of your Studio and the offering of massage and bodywork services;
- (k) provide all authorized massage services only at your Studio Location unless otherwise approved by us in writing;
- (l) notify us in writing within five calendar days of the commencement of any action, lawsuit, complaint or proceeding, or of the issuance of any writ, injunction, award or decree of any court, agency, governmental agency, or instrumentality that may adversely affect your financial condition or your ability to meet your obligations under this Agreement or operate your Studio and, upon request, furnish us with copies of all documents related to any such action, award or decree;
- (m) pay on a timely basis all fees and costs incurred in the operation of your Studio, whether owing to us or to third parties to avoid irreparable harm to our reputation and credit and the reputation and credit of the Franchise System and other Studios;
- (n) submit to us, at the time we specify and on a form approved by us, such other reports we may prescribe from time to time in the Operations Manual or otherwise;
- (o) take all reasonable steps necessary to protect us, the Franchise System, the Marks and the Proprietary Assets against any misappropriation and/or similar actions taken by any third party that may damage us, the Marks, the Proprietary Assets or the Franchise System, and immediately notify us of such misappropriation or similar action;
- (p) devote such time to the operation of your Studio as is necessary to effectively and efficiently operate the Studio;
- (q) comply with all requirements in this Agreement and in the Operations Manual, as the same may be modified from time to time;
- (r) accept the transfer of any client or member of another Studio who desires to obtain massage services from you; provided however, that (i) the franchisee of such other Studio has remitted to you any prepaid amounts paid by the client or member to the other franchisee for unused services, or (ii) arrangements have been made to assist you with accepting the client or member transfer (whether such assistance is offered by us or otherwise);
- (s) at no time solicit any employee of another Studio to become associated with your Studio as an employee, independent contractor, co-owner or otherwise;

- (t) at all times use the Studio Location solely to operate your Studio on the days and during the hours as we periodically specify, and refrain from using or permitting the use of the Studio Location for any other purpose or activity;
- (u) maintain and improve the condition and appearance of your Studio consistent with our System Standards and other Franchise System requirements as may be necessary to effectively operate your Studio;
- (v) without our prior written approval, make any material alterations to the Studio Location or make material replacements of, or alterations to, the Studio's equipment, fixtures or signs;
- (w) record all sales and related activities on a computer that is fully compatible with any program or system we require and ensure that we or our designee have full and direct access to all of your Studio's data and related information, whether in person, by telephone modem, or otherwise;
- (x) display at all times our standard quality control and franchise opportunity signs in a highly visible area of your Studio; and
- (y) institute a data privacy and security policy for clients' personal information and otherwise comply with all privacy and data protection laws, rules and regulations, and our policies published in the Operations Manual from time to time.

8. ADVERTISING

8.1. Limitations. You agree to actively promote your Studio, to abide by all of our marketing and advertising requirements and to comply with the following provisions:

- (a) You may advertise your Studio and solicit clients from any area, even if the clients live or work in a territory or protected area other than the Protected Area, so long as you provide services only at the Studio location we have approved. You are not required to compensate any individual or entity in connection with this advertising and solicitation. We and our other franchisees reserve the same right to solicit, accept and provide massage services to clients who live or work within the Protected Area, without compensating you.
- (b) All advertising and promotional materials, signs, and other items we designate for use in your Studio must bear the Marks in the form, color, location and manner we specify, and you must obtain all such materials from Approved Suppliers. Your advertising and promotional materials (including for your website) must meet our standards and specifications as described in the Operations Manual or as otherwise communicated to you by us. You may prepare and use your own advertising and promotional materials only with our prior written approval. Prior to using advertising and promotional materials you prepare (including signs, containers, boxes, specialty and novelty items, equipment and apparel), you must submit to us a copy of the materials, along with a description of how you intend to

use the materials (including in newspapers, on television, radio or the internet, in a direct mail campaign, or in any other media sources). We have the right to approve, disapprove, or place conditions upon the advertising and promotional materials, such as limiting or modifying text, artwork or the manner in which you intend to disseminate the materials. We will approve or disapprove your advertising and promotional materials in writing within 30 days after we receive your request for approval. If we do not respond within such 30 day period, the advertising material will be deemed disapproved.

- (c) You must pay us or a party we designate a fee to establish and maintain a website for your Studio (the “**Studio Website**”). This fee is currently included in the technology fee specified in Section 4.7 of this Agreement, but we reserve the right to charge you additional fees for the Studio Website. If you own more than one Studio, you can use one website for all of your Studios. You must use our Approved Suppliers to set-up, design and host your website. We retain the right to require you to cease maintaining the Studio Website and participate, at your cost, in a website that we, at our option, maintain for all Studios in the future. A “website” is any interactive electronic document, mobile media, social media tool or page or other Internet presence, contained in or utilizing a network of computers linked by communication software, including the Internet, Worldwide Web and any successor technology, including texting, social media promotions, posting or sites such as Facebook, Twitter and MySpace, and including any other electronic, mobile or digital device, method or system enabling the transmission of information.
- (d) You may utilize any social media website or any other Internet community that we approve (the “**Approved Sites**”) pursuant to our then-current social media policy, which we may modify from time to time. You must follow our guidelines when posting messages relating to your Studio on the Approved Sites. We reserve the right to require our approval of any message you compose for an Approved Site or to revoke our approval to use any Approved Site at any time.

8.2. Initial Marketing Spend Requirement. During the period beginning at least 60 days before you open your Studio and continuing through the first 90 days of your Studio operations, you must spend at least \$15,000 to advertise, market, and promote your Studio (the “**Initial Marketing Spend Requirement**”); provided, however, if you purchase an existing Studio, the \$15,000 Initial Marketing Spend Requirement applies during the first 180 days after you take possession of the Studio. The Initial Marketing Spend Requirement is in addition to your Ongoing Marketing Spend Requirement described below. The Initial Marketing Spend Requirement will be used to advertise, market and promote your Studio in accordance with an advertising and marketing plan we approve before the opening of your Studio. We have the right to obtain from you information with respect to the results achieved from meeting your Initial Marketing Spend Requirement and implementing your approved advertising and marketing plan.

8.3. Marketing Fund.

- (a) We have established a national advertising and marketing fund (the “**Marketing Fund**”) for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally. You agree to make contributions to the Marketing Fund as required under Section 4.11. We have the right to collect for deposit into the 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 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 Marketing Fund. We do not use any of the funds contributed to the Marketing Fund principally to solicit new franchise sales. If we or our affiliates own any Studios, those Studios make contributions to the Marketing Fund on the same basis as you and our other franchisees.
- (b) We designate all programs to be financed by the 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 Marketing Fund may pay for (i) preparing and producing video, audio, and written materials (including marketing and promotional materials and local store marketing advertisements we prepare) and electronic media, (ii) administering regional and multi-regional marketing and advertising 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, (iii) supporting public relations, market research, and other advertising, promotion, and marketing activities, (iv) developing and maintaining website(s) for the Franchise System; (v) administering online advertising and marketing campaigns (including search engine, social media, email, and display ad campaigns); and (vi) 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. The Marketing Fund will advertise in printed materials or on radio or television for local, regional or national circulation. We and/or our regional or national advertising agency will produce all advertising and marketing. We determine the use of the funds contributed to the Marketing Fund, including allocating a portion of any Marketing Fund contributions to any regional advertising programs we may establish in the future. We are not required to spend any particular amount on marketing, advertising or promotion in the area in which your Studio will be located. In addition, we are not be required to ensure that Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Marketing Fund contributions by Studios operating in that area, or that any Studio benefits from the development or placement of advertising and marketing materials directly or in proportion to its Marketing Fund contributions. We intend for the Marketing Fund to promote the applicable

Marks, patronage of Elements Studios, and the Elements brand generally. We may use collection agents and institute legal proceedings to collect Marketing Fund contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the 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 Marketing Fund. We have no fiduciary obligation to you in connection with our administration of the Marketing Fund.

- (c) We account for the Marketing Fund separately from our other funds and do not use the 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 Marketing Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Marketing Fund contributions. The Marketing Fund is not our asset and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We use interest earned on Marketing Fund contributions to pay costs before spending the Marketing Fund's other assets.
- (d) We prepare annual unaudited financial statements for the Marketing Fund that are available to you upon written request 120 days after the end of the Marketing Fund's fiscal year. We are not required to audit the Marketing Fund but may do so at our discretion.

8.4. Marketing Cooperatives. We may designate a 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 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 generated and/or designated by us. Such documentation is available for Marketing Cooperative member review. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Studios operating within the Marketing Cooperative's area (including those that we and our affiliates operate, if any), with each Studio receiving one vote. 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 form, modify, change, dissolve, or merge

Marketing Cooperatives. Funds contributed to a Marketing Cooperative will not be utilized to solicit new franchise sales.

8.5. Ongoing Marketing Spend Requirement.

- (a) Beginning on the date your Studio opens for business, you must spend on advertising, marketing and promotional programs for your Studio, a minimum of the greater of 5% of your gross receipts and, depending on the designated market area (as identified by The Nielsen Company) (“**DMA**”) in which your Studio is located, (i) \$3,000 per month, if your Studio is located in a small DMA, (ii) \$3,500 per month, if your Studio is located in a medium DMA, or (iii) \$4,000 per month, if your Studio is located in a major metro DMA (the “**Ongoing Marketing Spend Requirement**”). The size of your Studio’s DMA is designated on Exhibit 1. Your Ongoing Marketing Spend Requirement includes any contributions you make to the Marketing Fund and any contributions you make to a Marketing Cooperative. Your required Marketing Fund and Marketing Cooperative contributions could, by themselves, exceed the minimum Ongoing Marketing Spend Requirement. In addition, we have the right to collect other funds constituting the minimum Ongoing Marketing Spend Requirement and use those funds for local, regional or national advertising or promotional programs that reach your Studio’s local trade area. You acknowledge and agree that your compliance with the Ongoing Marketing Spend Requirement does not constitute a guarantee as to the success of your Studio, and that we make no claims or representations whatsoever regarding potential sales, profits or earnings achievable by you or your Studio.
- (b) At least 90 days before you open your Studio (or if you are (a) converting your existing business to a Studio, at least 90 days before the conversion of your existing business, or (b) 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 3 months after the opening, conversion 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 Ongoing Marketing Spend Requirement.

8.6. Marketing Committee. We have established and receive input and feedback regarding advertising and marketing from the Franchisee Leadership Council Marketing Committee (the “**Marketing Committee**”). The Franchisee Leadership Council consists in part of franchisees and area directors, each of whom represents the region in which his or her Studio or area director territory is located, and are elected by the franchisees and area directors in their respective regions. In addition, representatives of our management

participate in the Franchisee Leadership Council. Each franchisee and area director member of the Franchisee Leadership Council provides us with feedback and input on operational, marketing and other matters related to the Franchise System. Each franchisee and area director is entitled to one vote for each Studio and territory owned. Elected members of the Franchisee Leadership Council serve a two-year term. The Marketing Committee consists of a chairperson, who is a member of the Franchisee Leadership Council, and franchisees and/or area directors who agree to serve on the Marketing Committee at the request of the chairperson. The Franchisee Leadership Council and the Marketing 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 Franchisee Leadership Council and Marketing Committee at any time, and may otherwise form, change or dissolve the Franchisee Leadership Council or the Marketing Committee.

- 8.7. Gift Cards. You must participate in all gift card, loyalty card, promotional card, award card, or other similar prepaid card, code or other device (“**Gift Cards**”) programs periodically established or approved of by us for Studios. You acknowledge and agree that we may charge you a fee in connection with your participation in these programs, which may include, without limitation, the cost of any third party vendor commissions or fees incurred by us in connection with the programs. You are required to purchase Gift Cards from our Approved Supplier and may use and honor Gift Cards only in the manner we designate and require.

9. INDEMNIFICATION

- 9.1. Indemnification. You agree to indemnify, defend and hold harmless us and our affiliates, and our and their respective shareholders, members, managers, owners, principals, directors, officers, employees, agents, representatives, successors and assigns (the “**Indemnified Parties**”) from and against, and agree to reimburse them for, all claims, obligations and damages described in this Section 9.1, any and all of your third party payment or other obligations, and any and all claims and liabilities directly or indirectly arising out of the operation of your Studio or your use of the Marks and Proprietary Assets in any manner, including, without limitation, those alleged to be or found to have been caused by the Indemnified Party’s gross negligence or willful misconduct, unless (and then only to the extent that) the claims and liabilities are determined to be caused solely by the Indemnified Party’s 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 means and includes all obligations, actual and consequential damages, and costs reasonably incurred in the defense of any claims against the Indemnified Parties including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Each Indemnified Party shall have the right to defend any such claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

10. DEFAULT; TERMINATION

10.1. Immediate Termination by Us. We have the right, at our option, to terminate this Agreement and all rights granted to you, without affording you any opportunity to cure any default (subject to any state laws to the contrary, in which case state law will prevail), effective upon delivery to you of a termination notice, upon the occurrence of any of the following events:

- (a) Unauthorized Disclosure. If you or any person under your control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents or any part of the Operations Manual or any other Proprietary Assets, trade secrets or confidential information of ours or our affiliates;
- (b) Fraud. If you commit fraud in connection with the purchase or operation of the Studio or otherwise engage in conduct that, in our sole judgment, impairs or may impair the goodwill associated with the Marks or otherwise subjects the Marks or the Franchise System to ridicule, scandal, reproach, scorn or indignity;
- (c) Abandonment. If you cease to operate your Studio or you otherwise abandon your Studio for a period of two consecutive days, or you indicate an intent to permanently discontinue operation of the Studio, unless and only to the extent full operation of your Studio is suspended or terminated due to the exercise of the power of eminent domain or fire, tornado, hurricane, flood, earthquake or similar natural disaster which is not within your control (and not related to the availability of funds to you);
- (d) Bankruptcy. If you, or any person controlling, controlled by or under common control with you (“**your affiliates**”), becomes insolvent or are adjudicated bankrupt; or if you or any of your affiliates file or has filed against you or any of your affiliates, a petition in bankruptcy, reorganization or similar proceeding under the bankruptcy laws of the United States; or if a permanent or temporary receiver is appointed for you or any of your affiliates; or if you or any of your affiliates requests the appointment of a receiver or makes a general assignment for the benefit of creditors;
- (e) Judgment. If a final judgment against you or any of your affiliates in the amount of \$5,000 or more remains unsatisfied of record for 30 days or longer; or if the bank accounts, property or receivables of you or any of your affiliates are attached and such attachment is not dismissed within 30 days; or if execution is levied against your or any of your affiliates’ business or property; or if suit is instituted to foreclose any lien or mortgage against your Studio, the premises thereof or equipment thereon, and not dismissed within 30 days;
- (f) Criminal Conviction. If you or any of your Bound Parties (as defined in Section 12.1) is convicted of, or pleads no contest or guilty to, a felony, a crime involving moral turpitude, or any crime or offense that, in our sole judgment, is reasonably

likely to harm or unfavorably affect the Marks, the Proprietary Assets or the Franchise System or their associated goodwill and reputation;

- (g) Failure to Pay. If you or any other legal entity in which you or one of your owners with at least a 25% ownership interest in you, is an owner) fails to pay any amounts due us or our affiliates within 10 days after delivery of notice that such fees or amounts are overdue;
- (h) Underreporting. If you intentionally under report your Studio's gross receipts by any amount or negligently under report your Studio's gross receipts by 5% or more during any reporting period;
- (i) Training. If you or any of your owners is discovered to be cheating at Initial Training or fails to complete Initial Training to our satisfaction;
- (j) Commencement of Operations. If you fail to open your Studio by the Projected Opening Date (or the Extended Opening Date if we have granted you an Opening Extension);
- (k) Misuse of Marks. If you or any of your affiliates misuse the Marks or Proprietary Assets, fail to follow our directions and guidelines concerning use of the Marks or Proprietary Assets, or use any marks in connection with your Studio not authorized by us and fail to correct the misuse or failure within 10 days after delivery of notice from us;
- (l) Repeated Non-Compliance. If you receive three notices of default from us within a 12-month period, regardless of whether you cured the defaults;
- (m) Unauthorized Transfer. If you sell, transfer or otherwise assign this Agreement, the Studio, or any interest in this Agreement or the Studio, or sell, transfer or otherwise assign a substantial portion of the Studio, in each case, without complying with the provisions of this Agreement applicable to transfers;
- (n) Loss of Possession. If you lose the right to occupy the Studio premises;
- (o) Termination of Other Agreement. If we or any of our affiliates issues a notice of termination with respect to any other franchise agreement, master franchise agreement or area director agreement between us and any of our affiliates and you (or other legal entity in which you, or one of your owners with at least a 25% ownership interest in you, is an owner) governing the operation of another Studio, or master franchise or area director business;
- (p) Loan Default. If you commit a default under any loan from, or lease with, us, our affiliates or a third party and fail to cure the default within the time specified by us or by any third party;

- (q) Health/Safety. If you create or allow to exist any condition in or at the Studio, or on or about the Studio premises, that we reasonably believe presents health or safety concerns for the Studio's customers or employees.
- 10.2. Termination by Us-30 Days Notice. If you breach any other provision of this Agreement, we will have the right to terminate this Agreement 30 days after we deliver to you prior written notice of any such breach (subject to any state laws to the contrary, in which case state law will prevail), including, without limitation, if you fail to comply with the provisions of the Operations Manual and fail to cure the default during the 30 day period. In that event, this Agreement will terminate without further notice to you, effective upon expiration of the 30 day period.
- 10.3. Default Fee. In addition to our other rights and remedies, we have the right to charge you a \$250 default fee per breach by you of any term or condition of this Agreement including, without limitation, failure to pay (or to have adequate amounts available for ACH from your bank account) amounts owed to us or our affiliates or failure to timely provide required reports. We may change or eliminate this fee.
- 10.4. Your Obligations Upon Termination. Upon the expiration or termination of this Agreement for any reason, you must:
- (a) pay all Royalty and other amounts then owed to us or our affiliates pursuant to this Agreement or any other agreement between us, including any other franchise agreement, or any master franchise agreement or area director agreement, or otherwise;
 - (b) cease identifying yourself as a franchisee of the Franchise System, cease using any of the Marks and Proprietary Assets or any confusingly similar names, marks, systems, insignia, symbols or other procedures or methods, cease using or operating (or take any action that may be required to disable) the Studio Website and any other websites, including social media websites, related to your Studio, and cease doing anything that would indicate any relationship between you and us;
 - (c) return to us the Operations Manual and all other manuals, plans, specifications, designs, records, data samples, models, programs, materials, handbooks, drawings and other materials provided to you by us;
 - (d) notify the telephone company, all telephone company directory publishers and all domain name providers of the termination or expiration of your right to use any telephone number, any regular, classified, or other telephone directory listings, and any domain names associated with any Mark (including any telephone number listing or domain name used in connection with your Studio) and authorize their transfer to us or our designee. You acknowledge that, as between you and us, we have the sole right to, and interest in, all telephone, telecopy and

facsimile machine numbers, directory listings and domain names associated with any Mark (including those related to your Studio). Should you fail to make such notifications, you authorize us, and hereby appoint us and any of our officers as your attorney-in-fact, to direct the telephone company, all telephone directory publishers and all domain name providers to transfer to us or our designee any telephone, teletype and facsimile machine numbers, directory listings and domain names relating to the Studio, and the telephone company, all telephone directory publishers and all domain name providers may accept such direction or this Agreement as conclusive evidence of our exclusive rights in such telephone numbers and directory listings and our authority to direct their transfer;

- (e) notify the clients of your Studio that you are no longer our franchisee and refund to your clients any prepaid amounts for unused services;
- (f) direct your clients to another Studio that can perform any unused, but prepaid services for your clients;
- (g) transfer your client list to us or our designee. You acknowledge that, as between you and us, we have the sole right to, and interest in, your client lists and other client information; and
- (h) abide by all restrictive covenants set forth in Section 12 of this Agreement.

10.5. Our Options in the Event of Your Default.

- (a) If you are in default of this Agreement and have not cured the default within the applicable cure period:
 - (i) we have the right (but not the obligation) to enter your Studio to make modifications necessary to protect the Proprietary Assets, to remove your equipment and signage, to cure any default under this Agreement or under the lease for the Studio Location, and assume all of your rights under the lease (including making lease payments), including the right to assign or sub-lease.
 - (ii) we have the right (but not the obligation) to enter the Studio and assume the Studio's management (or to appoint a third party to assume its management) for any time period we deem appropriate. If we (or a third party) assume the Studio's management, you must pay us or the third party we designate (in addition to the Royalty and any additional amounts you owe us or our affiliates) our then-current monthly management fee (currently \$5,000). If we (or a third party) assume the Studio's management, you acknowledge that we (or the third party) will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations the Studio incurs, or to any of your creditors for any supplies or services the Studio purchases, while we (or the third party) manage it. The exercise of our rights under this

Section 10.5 of this Agreement shall not affect our right to terminate this Agreement.

11. TRANSFER

11.1. Transfers. You acknowledge and agree that we are entering into this Agreement 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, your Studio and any interest therein, and ownership interest in you may not be assigned, transferred, shared or divided, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, in any manner, without our prior written consent. Any actual or intended assignment, transfer or sale made in violation of the terms of this Section 11 shall be null and void and shall constitute a material breach of this Agreement, constituting good cause for termination of 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:

- (a) the proposed transferee provides information to us sufficient for us to assess the transferee's business experience, aptitude, and financial qualification, and we approve the proposed transferee as a franchisee;
- (b) neither the transferee nor its owners or affiliates have an ownership interest in, or perform services in any capacity for a Competitive Business (defined in Section 12.1)
- (c) you, your owners, and any other guarantors under this Agreement, execute a form consent to transfer, which will include a general release and a non-disparagement clause, in a form satisfactory to us ("**Consent to Transfer**"), 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;
- (d) you and your owners and guarantors abide by all post-termination covenants, including the covenant not to compete set forth in Section 12.2;
- (e) all obligations created by this Agreement, all ancillary documents and any other franchise agreements, master franchise agreements, area director agreements or other agreements between us have been discharged or otherwise assumed by the transferee;
- (f) all amounts due and owing pursuant to this Agreement or otherwise (including under another franchise agreement, master franchise agreement or area director agreement with us) by you (or any other legal entity in which you, or one of your owners, is an owner) to us, our affiliates, or third parties whose debts or obligations we have guaranteed on your behalf, if any, are paid in full; and

- (g) you are not in default under this Agreement or under any other franchise agreement, master franchise agreement, area director agreement or other agreements between us.

Notwithstanding the foregoing, if the proposed transfer is of this Agreement and the Studio or the day-to-day operational responsibilities for the Studio, or a controlling interest in you (25% or more), or is one of a series of transfers (regardless of the time period over which these transfers take place) that, in the aggregate, transfer this Agreement and the Studio or a controlling interest in you (25% or more), all of the following conditions must be met before or concurrently with the effective date of the transfer:

- (h) each of the conditions set forth in Section 11.1(a) through (g) above is satisfied;
- (i) the proposed transferee agrees to operate the Studio as an Elements Studio and signs the then-current form of franchise agreement, the provisions of which may be materially different than the provisions contained in this Agreement;
- (j) the proposed transferee (and any other persons required by us under the then-current form of franchise agreement) must satisfactorily complete Initial Training prior to taking possession;
- (k) the proposed transferee agrees to renovate, refurbish, remodel or replace, at its own cost, the real and personal property and equipment used in operating the Studio within the timeframe specified by us in order to comply with our then current image and System Standards;
- (l) your landlord permits you to transfer the Studio lease to the transferee and any new lease or lease assignment transferring the Studio lease to transferee has been approved by us as set forth in Section 7.2;
- (m) you or the transferee pay us a fee in the amount equal to 50% of the then-current initial franchise fee (“**Transfer Fee**”). The Transfer Fee must be paid to us in a lump sum in the form of a cashier’s check or wire transfer concurrently with signing a Consent to Transfer;
- (n) if the transferee was identified, or referred to you, by a third-party broker, you shall have paid any and all of such third-party broker’s fees;
- (o) neither the transferee nor its owners may, without our prior written consent, take possession of the Studio until the transfer process has been completed; and
- (p) you pay us a deposit of \$2,500 (“**Fee Deposit**”). The Fee Deposit must be paid to us in the form of a cashier’s check or wire transfer concurrently with the signing of the Consent to Transfer. We will refund the Fee Deposit to you, 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 the Consent to Transfer, whichever is later.

You acknowledge that the proposed transferee will be evaluated by us based on the same criteria as those currently being used to assess new franchisees and that the proposed transferee will be provided with the disclosures required by law. We may review all information regarding the Studio and your franchise 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 the Studio.

- 11.2. Transfer to Corporate Entity Owned by You. Notwithstanding the foregoing, you may, solely for the convenience of ownership, and without the payment of the Transfer Fee, transfer the ownership of your Studio under this Agreement to a legal entity wholly owned by you. Before such transfer, you must supply to us a copy of the organizational documents of the entity, execute a guaranty of the obligations under this Agreement (substantially in the form set forth as Exhibit 4), and cause all necessary parties to execute any other transfer documents we deem reasonably necessary. As a condition to such transfer, you must sign our then-current general release, which will include a non-disparagement clause.
- 11.3. Death, Disability or Permanent Incapacity. Upon your death, disability or permanent incapacity, we shall not unreasonably withhold our consent to the transfer of your interest in this Agreement to a spouse, heirs or relatives, by blood or marriage, whether such transfer is made by will or by operation of law, provided that the conditions of Section 11.1 and the requirements of this Agreement have been met, and further provided that the transfer does not result in a change of control of you to any party other than such spouse, heir or relative. In such event, no Transfer Fee shall be required. If your heirs do not obtain our consent as prescribed herein, your personal representative shall have 180 days to dispose of your interest hereunder, which disposition shall be subject to all of the terms and conditions for transfers under this Agreement.
- 11.4. Your Agreement to Transfer Restrictions. Any transfer permitted by this Section 11 shall not be effective until all requirements in this Agreement concerning transfer have been met and we have approved the transfer in writing. You agree that the restrictions on transfer imposed in this Agreement are reasonable and necessary to protect the Marks, the Proprietary Assets, your Studio and the Franchise System, as well as our reputation and image, and are for the protection of us, you, and our other franchisees.
- 11.5. Our Right of First Refusal. If you (or any of your owners) at any time determine to sell or transfer for consideration a controlling interest in this Agreement (25% or more), the assets of your Studio, 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 11.1 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 Studio. 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 11.5. 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.

- 11.6. Transfer if Franchisee is an Entity. If Franchisee is a legal entity, the terms of this Section 11 shall be deemed to also apply to any sale, resale, pledge, assignment, transfer or encumbrance (“**transfer**”) of the voting stock of, or other ownership interest in you.
- 11.7. Controlling Interest. A person will be deemed to have a controlling interest in you if that person has the right to vote 25% or more of the voting securities or other forms of ownership interest of a corporation, partnership or other form of entity, or is entitled to receive 25% or more of the net profits of any such entity, or is otherwise able to direct or cause the direction of that entity’s management or policies.
- 11.8. Our Transfer. 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.

12. RESTRICTIVE COVENANTS

- 12.1. Non-Competition During Term. You agree that, in addition to the license of the Marks granted to you under this Agreement, you have been licensed commercially valuable information that comprises the Proprietary Assets, including without limitation, operations, marketing, advertising and related information and materials. You further agree that the value of this information arises not only from the time, effort and money expended on compiling the information, but also from all franchisees’ use of the information. Therefore, you agree that, other than the Studio, neither you nor any of your officers, directors, shareholders, members, partners or other owners, nor any spouse or immediate family member of yours or any of these individuals (collectively, “**Bound Parties**”), shall, during the term of this Agreement:
 - (a) have any direct or indirect interest as a disclosed or beneficial owner in a “**Competitive Business**” as defined below, wherever located or operating;
 - (b) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating;
 - (c) divert or attempt to divert any business related to the Studio, our 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, to any Competitive Business;

- (d) directly or indirectly solicit or employ any person who is employed by us, any of our affiliates, or another franchisee of ours without obtaining the employer's prior written consent; or
- (e) use any of the Proprietary Assets for any unauthorized purpose, use any confusingly similar method, format, procedure, technique, slogan, insignia, term, designation, design, diagram, promotional material or course material, or cause or permit any facility or program to look like, copy or imitate any facility or program operated or licensed by us without our prior written consent.

The term "Competitive Business" for purposes of this Agreement, means any business 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 Franchise System or other Studios.

- 12.2. Post Termination Covenant Not to Compete. For a period of two years after the expiration or termination of this Agreement (regardless of the cause of termination) or the sale or transfer of your Studio, or such other date as you and all other Bound Parties begin to comply with this Section 12.2, whichever is later, neither you nor any other Bound Party shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative, agent, or in any other capacity in any Competitive Business located or operating within a three-mile radius of your Studio (including at the former Studio Location) or within a three-mile radius of any other Studio existing on the later of the effective date of termination or expiration of this Agreement or the date on which you and all other Bound Parties begin to comply with this Section 12.2. You and the other Bound Parties expressly acknowledge that you and they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section 12.2 will not deprive you or them of their personal goodwill or ability to earn a living.
- 12.3. Branded Business. During the term of this Agreement, neither you nor any other Bound Party will, without our written consent, operate, directly or indirectly, any Branded Business within a one-quarter (1/4) mile radius of your Studio. The term "**Branded Business**" means any business marketed by a franchisor or chain under a locally, regionally, or nationally known or registered trademark or service mark (including by our affiliate, Fitness Together Franchise Corporation).
- 12.4. Permitted Interests. Nothing in this Section 12 shall prohibit you or any other Bound Party from owning shares of a class of securities listed on a stock exchange or traded on the over-the-counter market representing five percent (5%) or less of the aggregate number of shares of that class of securities issued and outstanding.

12.5. Confidential Information. We possess certain proprietary confidential information consisting of the Marks, the Proprietary Assets, our System Standards, and other methods, techniques, formats, specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Studios (the “**Confidential Information**”). We shall disclose the Confidential Information to you in Initial Training, in the Operations Manual, and in guidance and materials furnished to you during the term of this Agreement. You have not acquired any interest in the Confidential Information other than the right to utilize it in the territory and Protected Area in the execution of your duties hereunder during the term of this Agreement, and you acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute an unfair method of competition. You acknowledge and agree that the Marks and Proprietary Assets have valuable goodwill attached to them, that their protection and maintenance are essential to us and our affiliates, and that any unauthorized use or disclosure of the Marks, the Proprietary Assets or other Confidential Information will result in irreparable harm to us and our affiliates. You also acknowledge and agree that the Confidential Information is proprietary, includes trade secrets of ours, and is disclosed to you solely on the condition that you agree, and all of the other Bound Parties hereby agree that you:

- (a) will not use the Confidential Information in any other business or capacity;
- (b) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;
- (c) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and
- (d) will adopt and implement all reasonable procedures prescribed periodically by us to prevent unauthorized use or disclosure of the Confidential Information, including requiring that every employee, agent or independent contractor you hire or engage to assist you in the operation of your Studio execute a confidentiality and non-compete agreement. (See Section 7.1).

You agree that we shall have the perpetual right to use and authorize other franchisees to use, and you shall fully and promptly disclose to us, all ideas, concepts, methods, and techniques relating to the development and operation of the Franchise System howsoever conceived or developed by you or your employees during the term of this Agreement. You acknowledge that any ideas, concepts, methods, and techniques or materials concerning any Studio, whether or not protectable intellectual property and whether or not created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our and our affiliates’ sole and exclusive property, part of the Franchise System and works “made for hire” for us and our affiliates. With respect to any such item, you assign ownership of that item, or will cause your owners or employees to assign ownership of that item, and all related rights to that item, to us and our affiliates and you must sign whatever assignment or other documents we or our affiliates request to reflect our ownership of, or to help us and our affiliates obtain

intellectual property rights in, the item. If you are an individual, you agree that your spouse shall be bound, and if you are an entity, you agree that any officers, directors, partners, shareholders and members and their respective spouses shall be bound by this Section 12.5.

13. **NOTICES**

All notices required to be given under this Agreement shall be in writing and shall be hand delivered or sent by a nationally recognized overnight mail delivery service, registered or certified mail, postage prepaid, return receipt requested, or by any delivery service providing documentation of receipt, to the address set forth on page 1 of this Agreement, or to such other address as specified in a written notice given to the other party from time to time. Any such notice shall be deemed delivered (a) on the date shown on the return receipt or in the courier's records as of the date of delivery, or (b) on the date of first attempted delivery, if actual delivery cannot be made for any reason.

14. **GOVERNING LAW; JURISDICTION AND VENUE; ARBITRATION**

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 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 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.

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 THE LOCATION IN WHICH OUR PRINCIPAL PLACE OF BUSINESS IS LOCATED, WHICH IS CURRENTLY DENVER, 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.

14.3. Waiver of Jury Trial and Punitive Damages. WE, YOU AND THE OTHER BOUND PARTIES EACH WAIVE THEIR RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY,

BROUGHT BY EITHER PARTY. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 19.1, AND EXCEPT FOR PUNITIVE, EXEMPLARY OR MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER UNITED STATES FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY OR MULTIPLE 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.

- 14.4. Remedies. The parties agree that any claim for lost earnings or profits by you shall be limited to a maximum amount equal to the net profits of the Studio for the prior year as shown on your federal income tax return.
- 14.5. Arbitration. We and you agree that all controversies, disputes, or claims between us and our affiliates, and our and their respective shareholders, members, officers, directors, agents, and employees, and you (and your owners, guarantors, affiliates, and employees) arising out of or related to:
- (a) this Agreement or any other agreement between you (or your owners) and us (or our affiliates);
 - (b) our relationship with you;
 - (c) the scope or validity of this Agreement or any other agreement between you (or your owners) and us (or our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration obligation under this Section 14.5, 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 in the United States (“AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection 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 located in or within fifty (50) miles of our then-current principal place of business (currently Denver, Colorado). All matters relating to arbitration will be governed by the United States Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

The arbitrator shall issue only a standard decision and not a reasoned decision. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys’ fees

and costs, provided that the arbitrator may not declare any of the trademark generic or otherwise invalid or, except as expressly provided in this Section 14.5 or 14.3 above, award any punitive, exemplary or multiple damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in this Section 14.5 or 14.3 above, any right to or claim for any punitive, exemplary or multiple damages against the other).

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the United States Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Section 15.9 below.

We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, and you (and your owners, guarantors, affiliates, and/or employees) may not be commenced, conducted or consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section 14.5 or Section 15.4, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 14.5, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

You and we agree that, in any arbitration arising as described in this Section 14.5, requests for documents shall be limited to documents that are directly relevant to significant issues in the case or to the case's outcome; 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 there shall be no interrogatories or requests to admit. With respect to any electronic discovery, you and we agree that:

- (a) production of electronic documents need only be from sources used in the ordinary course of business. No such documents shall be required to be produced from back-up servers, tapes or other media;
- (b) the production of electronic documents shall normally be made on the basis of generally available technology in a searchable format which is usable by the party receiving the documents 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;

- (c) the description of custodians from whom electronic documents may be collected shall be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the dispute; and
- (d) where the costs and burdens of electronic discover 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, subject to allocation of costs in the final award as provided herein.

In any arbitration arising out of or related to this Agreement, each side may take three discovery depositions. Each side's depositions are to consume no more than a total of 15 hours. There are to be no speaking objections at the depositions, except to preserve privilege. The total period for the taking of depositions shall not exceed six weeks.

The provisions of this Section 14.5 are intended to benefit and bind certain third party non-signatories and 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 14.5.

14.6. Limitation of Claims. You and the other Bound Parties agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. Except with regard to your obligation to pay us and our affiliates Royalty and other fees and payment due from you pursuant to this Agreement or otherwise, any claims between the parties must be commenced within one year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, or such claim will be barred. The parties understand that such time limit might be shorter than otherwise allowed by law. You and the other Bound Parties agree that your sole recourse for claims arising between the parties shall be against us or our successors or assigns. You and the Bound Parties agree that the members, managers, shareholders, directors, officers, employees, and agents of us and our affiliates shall not be personally liable nor named as a party in any action between us and you or any Bound Party; provided, however, that this shall not preclude claims you have directly against an area director. The parties agree that claims of any other party or parties shall not be joined with any claims asserted in any action or proceeding between us and you. 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.

15. MISCELLANEOUS PROVISIONS

- 15.1. Remedies. All rights and remedies enumerated in this Agreement shall be cumulative and, except as specifically contemplated otherwise by this Agreement, shall not exclude any other rights or remedies allowed at law or in equity, and said rights and remedies may be exercised and enforced concurrently.
- 15.2. Modification/Exercise of Judgment. No amendment, waiver, or modification of this Agreement shall be effective unless it is in writing and signed by us and you. You acknowledge that we may unilaterally modify our System Standards and other standards and specifications and operating and marketing techniques, whether set forth in the Operations Manual or otherwise, under any conditions and to the extent we deem necessary to protect, promote or improve the Marks, the Proprietary Assets or the Franchise System, so long as such modifications are not specifically prohibited by this Agreement.

Whenever we reserve the right in this Agreement to take or withhold taking an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our and/or the Franchise System's best interests at the time we make our decision, without regard to whether or not we could have made other reasonable or arguably preferable alternative decisions or whether or not our decision promotes our financial or other interests.

- 15.3. No Waiver. No waiver of any term, covenant or condition of this Agreement, or failure to exercise a right or remedy by us or you shall constitute or imply a further waiver of the same or any other covenant or condition. Our subsequent acceptance of any payments due to us under this Agreement shall not be deemed to be a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Whenever this Agreement requires our prior approval or consent, such approval or consent shall be obtained in writing. We make no warranties or guarantees upon which you may rely, and assume no liability or obligation to you, in connection with any waiver, approval or consent we may grant to you in connection with this Agreement, or by reason of any neglect, delay or denial of any waiver or request for waiver under this Agreement. Any waiver granted by us shall be subject to our continuing review, may subsequently be revoked for any reason effective upon 10 days prior written notice, and shall be without prejudice to any other rights we may have.
- 15.4. Severability/Invalidity. If any provision of this Agreement or the application of any provision to any person or circumstances shall be determined to be invalid or unenforceable, then such determination shall not affect any other provisions of this Agreement or the application of such provisions to any other person or circumstances, all of which shall remain in full force and effect. It is the intention of the parties that if any provision of this Agreement is susceptible to two or more interpretations, one of which would render it enforceable, then the provision shall have the meaning that renders it enforceable.

- 15.5. Entire Agreement. This Agreement constitutes the entire agreement between us regarding the subject matter hereof, and supersedes all prior and contemporaneous agreements between us regarding such subject matter. No officer, employee, servant or agent of ours or yours has been authorized to make any representation, warranty or other promise not contained in this Agreement or in the accompanying Franchise Disclosure Document. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.
- 15.6. Delegation by Us. We shall have the right to delegate the performance of any portion or all of our obligations and duties under this Agreement to third parties, whether they are our affiliates, agents, representatives and/or area directors or other individuals or entities with which we have contracted to perform such obligations, duties or services. You agree in advance to any such delegation and acknowledge and agree that we will not be bound, and this Agreement may not be modified, by any third party (including area directors) without our prior written consent. You acknowledge and agree that any delegation of our duties and obligations to third parties does not assign or confer any rights under this Agreement to such third parties and that they are not third party beneficiaries of this Agreement.
- 15.7. Effective Date of Agreement. This Agreement shall not be effective until accepted by us as evidenced by the signature of an officer or other duly authorized representative of ours and the dating of the Agreement as of the date of such signature. Notwithstanding the foregoing, we reserve the right to make the effective date of this Agreement the date on which you sign the Agreement.
- 15.8. Review of Agreement. You acknowledge that you have had a copy of the Franchise Disclosure Document in your possession for not less than 14 full calendar days, during which time you have had the opportunity to submit the Franchise Disclosure Document and this Agreement and other documents and agreements related thereto for professional review and advice of your choosing prior to freely executing this Agreement.
- 15.9. Costs and Attorneys Fees. In the event either party (or any of the Bound Parties) initiates a judicial, arbitration or other proceeding, the prevailing party will be entitled to reasonable costs and expenses (including reasonable attorneys' fees incurred in connection with such judicial or other proceeding).
- 15.10. Injunctive Relief. Nothing in this Agreement shall prevent us or you from seeking injunctive relief in appropriate cases to prevent irreparable harm.
- 15.11. Survival. All of our and your (and your owners' and other Bound Parties') obligations that expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to, and notwithstanding, its expiration or termination until they are satisfied in full or by their nature expire, including, without limitation, the post-termination restrictive covenants contained in Section 12.2, dispute resolution covenants and notice and confidentiality provisions.

- 15.12. Joint and Several Liability. If you consist of more than one individual, the liability of all individuals is deemed to be joint and several.
- 15.13. Counterparts; Paragraph Headings; Pronouns. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. The parties agree that faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures. The paragraph headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof. Each pronoun used herein shall be deemed to include the other gender and number.

16. ACKNOWLEDGMENTS

BEFORE SIGNING THIS AGREEMENT, YOU SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL. YOU ACKNOWLEDGE THAT:

- (A) THE SUCCESS OF THIS BUSINESS VENTURE INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON YOUR ABILITY AS AN INDEPENDENT BUSINESS PERSON AND YOUR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS;
- (B) YOU HAVE NOT BEEN GIVEN ANY ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, BY US OR OUR REPRESENTATIVES AS TO THE POTENTIAL SUCCESS OF YOUR STUDIO OR FRANCHISE BUSINESS, THE VIABILITY OF ANY STUDIO LOCATION OR THE EARNINGS OR PROFITS LIKELY TO BE ACHIEVED FROM THE OPERATION OF THE STUDIO, NOR HAVE YOU RELIED UPON ANY SUCH ASSURANCE OR WARRANTY IN EXECUTING THIS AGREEMENT;
- (C) WHILE WE HAVE OFFERED ASSISTANCE, YOU HAVE FINAL APPROVAL OF THE SITE SELECTED, LEASE EXECUTED AND OTHER DECISIONS CONCERNING YOUR FRANCHISE PURCHASE, STUDIO LOCATION AND THE OPERATIONS OF YOUR STUDIO;
- (D) NO STATEMENT, REPRESENTATION, OR OTHER ACT, EVENT, OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT AND IN ANY FRANCHISE DISCLOSURE DOCUMENT SUPPLIED TO YOU, IS BINDING UPON US IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT;
- (E) YOU ARE AWARE THAT OTHER FRANCHISEES MAY OPERATE THEIR STUDIOS UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO THEM MAY DIFFER MATERIALLY THAN OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO YOU IN CERTAIN CIRCUMSTANCES;

- (F) THE INDIVIDUALS EXECUTING THIS AGREEMENT ON YOUR BEHALF REPRESENT AND WARRANT THAT THE SIGNATURES LISTED BELOW CONSTITUTE ALL OF THE INDIVIDUALS, PARTNERS, LIMITED PARTNERS, MEMBERS, DIRECTORS, OFFICERS AND/OR SHAREHOLDERS OF YOURS NECESSARY TO BIND YOU AND THAT THEY HAVE READ, UNDERSTAND AND CONSENT TO BE BOUND BY ALL OF THE TERMS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date stated below.

FRANCHISOR:

ELEMENTS THERAPEUTIC MASSAGE, INC.

Signature: _____

Printed Name: _____

Title: _____

*Date: _____

(*Effective Date of this Agreement)

FRANCHISEE:

(Name of Individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

EXHIBIT 1

TERRITORY DESCRIPTION

Franchisee: _____

Franchise Agreement Effective Date: _____

The territory in which you will locate your Studio shall be as follows:

Your Studio's DMA is: ___ Major Metro; ___ Medium; ___ Small (as indicated by an "X")

FRANCHISOR:

ELEMENTS THERAPEUTIC MASSAGE, INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of Individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

Exhibit 1

EXHIBIT 2

AUTOMATIC BANK DRAFT AUTHORIZATION

Franchisee: _____

Owner Name: _____ Phone: _____

Contact Person: _____ Title: _____
(if different from owner)

Address: _____

I hereby authorize Elements Therapeutic Massage, Inc. (“Franchisor”) to initiate entries to my checking or savings account identified below for Royalty (as defined in my Franchise Agreement with Franchisor), loan payments to Franchisor, software, 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, Inc.

Your Financial Institution: _____
(Name, Address & Phone #) _____

Routing Number: _____

Account Number: _____

PLEASE ATTACH A VOIDED CHECK

Signature: _____

Date: _____

Printed Name: _____

Elements Account Number: _____

Studio Name: _____

EXHIBIT 3

STATEMENT OF OWNERSHIP

Name of Franchisee Legal Entity: _____

Date of Formation: _____ State of Formation: _____

Type of Entity: _____

All Shareholders, Members and Partners:

Name	% Interest
_____	_____
_____	_____
_____	_____
_____	_____

The legal entity's activities must be confined exclusively to operating the Studio and Elements franchise business, unless we otherwise agree in writing.

Each shareholder, member, partner or other beneficial owner personally guarantees the legal entity's performance under the Franchise Agreement.

The legal entity must maintain a current list of all shareholders, members, partners, and other beneficial owners, and must furnish an updated list to us prior to making any ownership changes. We must approve the ownership changes described in the Franchise Agreement.

Documents to be provided to us:

- Certificate and Articles of Incorporation or Organization
- By-Laws, Operating Agreement or Partnership Agreement
- Other, as reasonably requested by Franchisor

EXHIBIT 4

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS ("GUARANTY") IS GIVEN THIS _____ day of _____, 20____, by _____

_____ (the "Guarantor").

In consideration of, and as an inducement to the execution of that certain Franchise Agreement of even date (the "Agreement") by Elements Therapeutic Massage, Inc. (the "Franchisor"), and _____ ("Franchisee"), each of the undersigned 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 of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations 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 of the undersigned consents and agrees that (1) his or her direct and immediate liability under this Guaranty shall be joint and several; (2) her or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; (4) 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; and (5) Guarantor is bound by the restrictive covenants, confidentiality provisions, and indemnification provisions contained in the Agreement.

Each of the undersigned Guarantors 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.

Guarantor hereby consents and agrees that:

(a) Guarantor's 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) Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) 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 the 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;

(d) 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; and

(e) 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.

Guarantor agrees to be personally bound by the arbitration obligations under Section 14.5 of the Agreement, including, without limitation, the obligation to submit to binding arbitration the claims described in Section 14.5 of the Agreement in accordance with its terms.

[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: _____

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

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_____ 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 5

FORM OF NON-COMPETE AND CONFIDENTIALITY AGREEMENT

Exhibit 5

NON-COMPETITION AND CONFIDENTIALITY AGREEMENT

This Non-Compete and Confidentiality 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, Inc. ("Franchisor") under which Franchisor granted Employer certain rights with regard to an Elements Massage studio (a "Studio");
- B. Employer has hired Employee to perform services as a [massage therapist] 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 "Competitive Business" as used in this Agreement means any business (other than a Studio) (i) operating or granting franchises or licenses to others to operate therapeutic massage or bodywork services, studios or any other massage service business, or (ii) offering or selling products or educational materials or conducting workshops for services that are the same as, similar to or competitive with the Franchise System or the Studios.

(b) The term "Confidential Information" as used in this Agreement means certain confidential and proprietary information relating to the development and operation of the Studios, which includes, but is not limited to: (i) the interior layout and design, color scheme, signage and equipment, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, advertising and promotional materials, audio and written materials, worksheets, originals, manuals, techniques, rules, ideas, philosophies, illustrations, course materials, confidential operations manual, other manuals, technical bulletins, other written or videotaped materials and other materials and documents related to the operation of the Studio; (ii) standards and specifications of the Franchise System; (iii) information about clients of Studios, (iv) financial information of Studios, and (v) other methods, techniques, formats,

specifications, procedures, information, systems, methods of business management, sales and promotion techniques and knowledge of and experience in the operation and franchising of Studios.

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.

4. **IN-TERM RESTRICTIVE COVENANT.**

Employee acknowledges and agrees that Franchisor and Employer would be unable to protect the Confidential Information against unauthorized use or disclosure and Franchisor would be unable to achieve a free exchange of ideas and information among Studios if persons authorized to use the Confidential Information were permitted to

engage in, have ownership interests in or perform services for Competitive Businesses. Employee therefore agrees that for as long as Employee is employed by Employer, neither Employee nor Employee's spouse shall (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business; or (ii) perform services as a director, officer, member, employee, manager, consultant, representative, agent or otherwise for any Competitive Business. Employee further acknowledges that the restrictions contained in this Section 4 will not deprive him or her or members of his or her immediate family of any personal goodwill or ability to earn a living.

5. **RESTRICTIVE COVENANT UPON TERMINATION
OR EXPIRATION OF THE FRANCHISE AGREEMENT
OR EMPLOYEE'S ASSOCIATION WITH EMPLOYER.**

Upon 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 to, Employer (each of these events is referred to as a "Termination Event"), Employee agrees that for a period of one (1) year commencing on the effective date of a Termination Event, neither Employee nor Employee's spouse shall have any direct or indirect interest as a disclosed or beneficial owner in, or assist, accept payments from, or perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for, a Competitive Business located or operating within a three (3) mile radius of any Studio, including Employer's Studio.

6. **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.

7. **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, but not limited to, the recovery of damages as may be permitted by law or in equity.

8. **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.

9. **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.

10. **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.

11. **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.

12. **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.

13. **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 6
LETTER OF INTENT AND LEASE ADDENDUM

Exhibit 6

Letter of Intent Franchise Location

1. **TENANT:** _____ d/b/a Elements Massage.
2. **LANDLORD:** _____
3. **PREMISES:** Commonly known as: _____
 Street Address Suite # (if any)
- City of: _____ County of: _____
- State of: _____ Zip Code: _____
- Description: _____
- Shopping Center: _____
4. **SIZE:** Approximately _____ SF Pro rata share _____ %.
5. **INITIAL TERM:** [recommended Five (5) Years]
6. **RENEWAL OPTIONS:** [recommended Two Option Terms of Five (5) Years each]
7. **BASE RENT:**
- Lease Years 1-5: _____
- Lease Years 6-10: _____
- Lease Years 11-15: _____
8. **TI ALLOWANCE:** Landlord shall provide Tenant with \$ _____ per square foot to be used towards _____ actual _____ tenant _____ improvements.
9. **LANDLORD’S WORK:** Landlord shall complete the improvements, as outlined in the work letter.
10. **ACCESS:** Upon Tenant’s request, Landlord shall provide Tenant with access to the Premises for purposes of inspecting and surveying the Premises, as well as the fixtures and equipment.
- Property Manager’s Name: _____ Phone: _____
11. **EXPENSES:** Landlord will provide Tenant detail as to the actual expenses currently applicable to the Shopping Center. Tenant’s share of expenses for the first Lease Year shall not exceed \$ _____ PSF and such expenses shall not increase by more than 3% annually thereafter.
12. **PERMITTED USE:** Tenant shall have the right to use the Premises for purposes of a therapeutic massage studio providing various types of massage services, retail sales and other related purposes. Landlord acknowledges and represents to Tenant that such use does not conflict with any other use provision within the Shopping Center.
13. **RENT COMMENCEMENT DATE:** Payment of Rent shall commence upon the earlier of (i) the date of Tenant’s opening for business to the public, or (ii) 120 days from the later of (A) the date the Lease is fully executed and (B) the date Landlord delivers possession of the Premises to Tenant in broom-clean condition with all of Landlord’s Work complete and all utilities properly functioning.

14. RENT ABATEMENT: Landlord agrees to abate all rental payments for _____ months following the Rent Commencement Date.

15. SECURITY DEPOSIT: Equal to 1 month's Base Rent during the first Lease Year.

16. SIGNS: Tenant has the right to install the customary and usual display signs mandated by Franchisor (i) in the Premises; (ii) on the exterior of its building; and (iii) on monument/pylon signs, in each case, to the maximum-allowable size.

17. EXCLUSIVE: So long as Tenant is not in material default under the Lease, Tenant shall have the exclusive right to operate a massage studio providing various massage services. Other tenants shall be permitted to offer massage services, so long as no more than 10% of their total square footage is used to offer massage services. If this provision is violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to reduce its Base Rent by [TBD] per month until Landlord cures the breach, or terminate the Lease at any time.

18. BROKER'S FEES:

Tenant's Broker: _____ Phone: _____

Landlord's Broker: _____ Phone: _____

Landlord shall pay all commissions/fees due to the Brokers, per the terms of a separate agreement.

19. RENEWAL OPTIONS: Tenant shall have the option to extend the Initial Term for 2 periods of 5 years each. In order to exercise each option, Tenant must notify Landlord not later than 180 days prior to the expiration of the Initial Term or first option term, as applicable.

20. ASSIGNMENT: Tenant shall have the right to assign the Lease or sublet the Premises, without charge and without Landlord's consent, to Franchisor or affiliate (each an "Elements Entity"), and the Elements Entity shall have the right to reassign the Lease, without charge and without Landlord's consent, to a franchisee of an Elements Entity and to thereupon be released from any further liability under the Lease. Tenant shall also have the right to assign the Lease or sublet the Premises, without charge but with Landlord's consent, not to be unreasonably withheld, to another franchisee of an Elements Entity.

21. EXPIRATION OF PROPOSAL: This Letter of Intent shall remain in force for 7 days from the date of Tenant's signature below. Landlord agrees not to discuss or negotiate leasing the Premises with anyone other than Tenant for 30 days after Landlord signs this Letter of Intent. Landlord and Tenant each hereby agree to negotiate the terms of a Lease consistent with this Letter of Intent within such 30 day period.

22. CONFIDENTIALITY: The parties agree to maintain the terms of this Letter of Intent confidential, and shall not disclose any terms herein to any third party, regardless of whether the parties execute a Lease.

LANDLORD AND TENANT ACKNOWLEDGE THAT THIS LETTER OF INTENT IS NOT A LEASE, AND THAT IT IS INTENDED AS THE BASIS FOR THE PREPARATION OF A LEASE. EXCEPT AS TO THE OBLIGATIONS OF LANDLORD AND TENANT SET FORTH IN PARAGRAPH 22 ABOVE, THE TERMS AND PROVISIONS OF THIS LETTER OF INTENT ARE NON-BINDING.

Ex 6-2

AGREED AND ACCEPTED:

Landlord:

Tenant:

By: _____

By: _____

Title: _____

Title: _____

Date: _____
(Date signed)

Date: _____
(Date signed)

ADDENDUM TO LEASE

This Addendum to Lease (“Addendum”) shall be attached to and made a part of that certain lease agreement dated _____, 2014 (“Lease”) by and between _____ (“Landlord”) and _____ (“Tenant”). In the event of any contradiction or inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum shall control. All defined terms not specifically defined in this Addendum shall be given the meanings ascribed to them in the Lease.

Recitals

- A. Tenant is party to a franchise agreement with Elements Therapeutic Massage, Inc. (“Franchisor”), pursuant to which Tenant was granted the right to own and operate an Elements Massage studio (the “Studio”).
- B. Franchisor requires that the Lease contain certain provisions that protect Franchisor’s proprietary assets, marks and franchise system.
- C. Tenant has requested, and Landlord has agreed, to amend the Lease to include the requirements set forth below.

Franchisor Required Terms

1. **TENANT USE AND IDENTITY.** Tenant shall have the right to use the Premises for a therapeutic massage studio providing various types of massage services, retail sales and other related purposes. Landlord acknowledges and represents to Tenant that such use does not conflict with any other use provision within the Shopping Center. Tenant is an individual franchise owner or an entity created to own the franchise business, which will operate under the trade name “Elements Therapeutic Massage” or similar trade name. Under no circumstances is Franchisor or any of its affiliates, representatives, designees or assigns the tenant under the Lease, a guarantor under the Lease or in any other way obligated for Tenant’s obligations under the Lease.
2. **RADIUS RESTRICTIONS AND TENANT RELOCATION.** Any radius restrictions or relocation provisions found in the Lease are hereby deleted.
3. **EXCLUSIVE USE.** Throughout the Initial Term and any extension, Landlord agrees that Tenant shall have the exclusive right in the Shopping Center to provide various massage services. Other tenants in the Shopping Center offering massages ancillary to their business operations will be permitted. For purposes of this provision, “ancillary” means any business that derives no more than 10% of its gross revenues from massage-related services. In no event shall Landlord permit any membership-based massage therapy club, group or concept in the Shopping Center.

This exclusive use provision shall not include any Shopping Center tenant existing as of the date of the Lease. However, to the extent Landlord has the right, Landlord shall not consent to any assignment or sublease if the change in use would violate this exclusive use provision.

If this exclusive use provision is violated, then in addition to any other remedy Tenant may have at law or in equity, Tenant shall have the right to (a) terminate the Lease or (b) immediately reduce its Base Rent to \$1.00 per month until Landlord cures the breach or, if Landlord does not cure the breach, for the remainder of the Initial Term and any extension.

4. **SIGNAGE.** (a) Tenant has the right to install the customary and usual display signs mandated by Franchisor (i) in the Premises, (ii) on the exterior of its building, and (iii) on monument/pylon signs, in each case, to the maximum-allowable size. Tenant signs are subject to Landlord's sign criteria and approval, not to be unreasonably withheld, and applicable municipal codes.

(b) Tenant shall also have the right to display a banner reading "Coming Soon" (or similar message) during the period between Lease execution and the date that is 30 days after Tenant opens for business to the public. Tenant shall also be permitted to display professional grade signs/posters and tasteful promotional items in the windows of the Premises consistent with Franchisor's national standards.

5. **TENANT RIGHT TO ASSIGN OR SUBLEASE.**

Notification. In the event Tenant is permitted to assign or sublease the Lease under any circumstances, Tenant must first obtain Franchisor's written consent and provide Landlord 30 days' prior written notice.

Transfer to Franchisor. Tenant shall have the right to assign the Lease or sublet the Premises, without charge and without Landlord's consent, to Franchisor or its parent, subsidiaries or affiliates (each, an "Elements Entity"). In such event, the Elements Entity shall have the right to reassign the Lease, without charge and without Landlord's consent, to a duly authorized franchisee of an Elements Entity and to thereupon be released from any further liability under the Lease.

Transfer to Franchisee. Tenant shall also have the right to assign the Lease or sublet the Premises, without charge but with Landlord's consent, not to be unreasonably withheld, to another duly authorized franchisee of an Elements Entity.

Options. Any options to extend the Term of the Lease shall automatically transfer to the assignee involved in any transfer made pursuant to this Section.

6. **TENANT DEFAULT.** If Landlord sends Tenant a notice of default, Landlord must simultaneously send a copy of the notice to Franchisor as follows: Elements Therapeutic Massage, Inc., Attention: Legal Department, 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129.

7. **NOTICE AND CURE.** Franchisor (or its designee) shall have the opportunity, but not the obligation, to enter the Premises to make modifications necessary to protect the equipment, furniture, fixtures and signs, or to cure any default under the Lease or Tenant's franchise agreement as follows:

Cure under the Lease. Landlord agrees to give Franchisor written notice of any Tenant defaults prior to exercising any remedies against Tenant under the Lease. Franchisor shall have Tenant's cure period plus an additional 10 days to cure (at Franchisor's option) any Tenant defaults, and to perform any other acts necessary to keep the Lease in full force and effect.

Cure under the Franchise Agreement. Franchisor (or its designee) shall have the option, upon default, expiration or termination of Tenant's franchise agreement, and upon notice to Landlord to:

- (a) assume all of Tenant's rights under the Lease including, but not limited to, the rights to renew the Lease and pay Rent;
- (b) assign the Lease or sublet the Premises per the above terms; and
- (c) remove equipment, furniture, fixtures and signs (provided that Franchisor has the authority to do so).

8. **LANDLORD WARRANTIES.** (a) Landlord represents, covenants and warrants that:

- (i) it has lawful title to the Shopping Center;
- (ii) the Shopping Center is in compliance with the Americans with Disabilities Act;
- (iii) it shall maintain throughout the Term of the Lease general liability insurance coverage for the Shopping Center consistent with coverage maintained by prudent owners of properties similar to the Shopping Center;
- (iv) so long as Tenant pays all monetary obligations due under the Lease and performs all of its other covenants under the Lease, Tenant shall peacefully and quietly have, hold, occupy and enjoy the Premises; and
- (v) Tenant's permitted use does not violate any contracts or agreements to which Landlord is a party.

(b) In addition, Landlord shall indemnify and hold harmless Tenant and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (i) Landlord's operation of the Shopping Center, (ii) Landlord's negligence or breach in the performance of any of its obligations under the Lease or (iii) any violation of law by Landlord or any other act or omission of Landlord or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of the Lease.

9. **LANDLORD WORK AND REPAIRS.** If the Shopping Center is not in compliance with all laws, codes or other regulations, Landlord shall perform necessary remedial work at its sole cost and expense. Landlord covenants and agrees, at its sole cost and expense and without reimbursement or contribution by Tenant, to keep, maintain and replace, if necessary, the foundations, the exterior paint, the plumbing system, the electrical system, the utility and sewer lines and connections to the Premises, the sprinkler mains, if any, structural elements and systems including, without limitation, the roof, roof membrane, roof covering (including interior ceiling if damaged by leakage), load-bearing walls, floor slabs and masonry walls in good condition and repair.

10. **COMMON AREAS.** (a) Landlord shall not change or alter the Common Areas in any manner which would:

- (i) alter the dimensions or location of the Premises;

- (ii) adversely affect the use, operation or conduct of Tenant's business in the Premises;
- (iii) adversely affect the accessibility or visibility of the Premises; or
- (iv) reduce the current ratio of parking to rentable square feet in the Shopping Center by more than 10%.

(b) The costs of capital improvements to the Common Areas, defined as any costs that are not fully chargeable to current expenses in the year the expenditure is incurred (calculated in accordance with generally accepted accounting principles) shall be excluded from the calculation of Tenant's Common Areas costs pass through, if any.

11. **REIMAGING/REDECORATING.** Tenant may non-structurally reimage and/or redecorate within the Premises up to \$10,000 per project without Landlord's prior consent, so long as the work is performed in a good and workmanlike manner. Tenant may close its business once every five (5) years for up to thirty (30) days to reimage and redecorate the Premises.
12. **HAZARDOUS MATERIALS.** Landlord represents and warrants to the best of its knowledge that the Premises are free of all asbestos, asbestos containing materials and other hazardous or toxic materials (collectively, "Hazardous Materials").

Tenant shall have no obligation to make any repairs, alterations or improvements to the Premises or incur any costs or expenses whatsoever as a result of Hazardous Materials in or about the Shopping Center, the Building or the Premises, other than those Hazardous Materials brought onto such areas by Tenant.

Landlord shall indemnify and hold Tenant harmless from and against all liabilities, loss, costs, damages and expenses which Tenant may incur (including reasonable attorneys' fees) as the result of a breach of Landlord's representation and warranty set forth in this Section or the presence of Hazardous Materials in or about the Shopping Center, Building or the Premises.

13. **TENANT FINANCING.** Tenant shall have the right from time to time to grant and assign a mortgage or other security interest in all of Tenant's personal property and equipment located within the Premises in connection with Tenant's financing arrangements, and any lien of Landlord against Tenant's personal property and equipment (whether by statute or under the terms of the Lease) shall be subject and subordinate to such security interest. Landlord shall execute any documents as Tenant's lenders may reasonably request in connection with any such financing. The parties acknowledge that there may be certain personal property and equipment in the Premises not owned by Tenant, which property and equipment shall not be subject to any lien of Landlord. Upon request, Landlord shall grant the party who owns such property and equipment reasonable access to the Premises for the sole purpose of removing such items, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.
14. **THIRD-PARTY BENEFICIARY.** Landlord and Tenant hereby intend, agree and acknowledge that Franchisor (and its affiliates), is an intended third-party beneficiary and shall have the right, at its option, to independently enforce any term, condition or provision of this Addendum, including but not limited to those dealing with exclusive use, assignment, default and termination.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date and year first written above.

LANDLORD:

[name]

By: _____

Name: _____

Title: _____

TENANT:

[name]

By: _____

Name: _____

Title: _____

EXHIBIT 7
REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

Exhibit 7

REPRESENTATIONS AND ACKNOWLEDGMENT STATEMENT

The purpose of this Statement is to demonstrate to Elements Therapeutic Massage, Inc. (“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 Studio franchise is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”) in deciding to purchase the franchise.

In that regard, I represent to Franchisor and acknowledge that:

<p>I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the market place generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.</p>	<p>INITIAL:</p>
<p>I received a copy of the FDD, including the Franchise Agreement, at least 14 calendar days (10 business days in Michigan, New York and Rhode Island) before I executed the Franchise Agreement. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these documents and only in these documents. I acknowledge that I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.</p>	<p>INITIAL:</p>
<p>Neither the Franchisor nor any of its officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.</p>	<p>INITIAL:</p>
<p>My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.</p>	<p>INITIAL:</p>
<p>I have made my own independent determination as to whether I have the capital necessary to fund the business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>

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:

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 Franchise Agreement, become a person or entity described above or otherwise become a target of any anti-terrorism law.

[Signature Page Follows]

FRANCHISEE:

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 Acknowledgement Statement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

EXHIBIT C1

LIST OF FRANCHISEES AS OF 12/31/2013

Open Franchisees as of December 31, 2013

Studio No.	Studio Address	Studio City	Studio State	Zip	Studio Owner	Studio Telephone
AL-00-001	6920 Airport Blvd Ste 111	Mobile	AL	36608	C.A.M., Massage Therapy, LLC (Claudia McClure)	(251) 342-6415
AZ-04-001	16255 N Scottsdale Rd Ste C-5	Scottsdale	AZ	85254	Healing Hands LLC (Nelson Crespo)	(480) 998-2120
AZ-04-002	9343 E Shea Blvd Ste 120	Scottsdale	AZ	85260	Wright Touch LLC (Michael Wright)	(480) 941-3077
AZ-04-003	19420 N 59th Ave Ste E-515	Glendale	AZ	85308	Arizona Elements LLC (Shauna Boyd)	(623) 847-4050
AZ-04-004	7131 W Ray Rd Ste 4	Chandler	AZ	85226	MS Therapeutic, LLC (Janet Schwab)	(480) 219-9931
AZ-04-007	2556 S Val Vista Dr Ste 105	Gilbert	AZ	85295	Wright Touch Two, LLC (Michael Wright)	(480) 726-2222
AZ-04-008	7908 E Chaparral Rd Ste 105	Scottsdale	AZ	85250	Jade & Jasmine Company (Gary Reichow)	(480) 970-1123
AZ-04-009	10625 N Tatum Blvd Ste D-138	Phoenix	AZ	85028	Jade & Jasmine Company (Gary Reichow)	(480) 483-1123
AZ-04-010	3431 W Frye Rd Ste 6	Chandler	AZ	85226	The Massage Experience, Inc. (Jay Hinnerscheetz Jr)	(480) 917-4880
AZ-04-013	7857 W Bell Rd Ste 108	Peoria	AZ	85382	KJE Enterprises, LLC (Donald Gatzemeier)	(623) 399-4400
CA-00-001	850 E Bidwell St Ste 160	Folsom	CA	95630	Piorey, Inc. (John Piotrowski Jr)	(916) 817-1875
CA-00-010	39 E 4th Ave	San Mateo	CA	94401	Sunnyvale Massage, LLC (Lisa Meteyer)	(650) 558-8775
CA-00-012	2701 Harbor Blvd Ste E-3	Costa Mesa	CA	92626	Conkillian Enterprises, Inc. (Erina Buckley)	(714) 850-0500
CA-00-017	308 W El Camino Real	Sunnyvale	CA	94087	Bamboo Wellness LLC (Stephen Dill)	(408) 737-8587
CA-00-020	16525 Von Karman Ave Ste E	Irvine	CA	92620	Net+Positive Corp. (Aaron Miller)	(949) 863-3100
CA-00-021	27695 Santa Margarita Pkwy Ste A-3	Mission Viejo	CA	92691	Net+Positive Corp. (Aaron Miller)	(949) 455-0000
CA-00-023	200 Bon Air Ctr Ste 200	Greenbrae	CA	94904	Flying Monkeys Massage 1 LLC (Claire Rice)	(415) 526-3461
CA-00-026	27901 La Paz Rd Ste E	Laguna Niguel	CA	92677	Go Modern Health, Corp. (Michael O'Keefe)	(949) 643-9100
CA-00-027	24000 Alicia Pkwy Ste 19	Mission Viejo	CA	92691	Hullihen, Inc. (Calvert Hullihen Jr)	(949) 595-0813
CA-00-033	3247 Camino de Los Coches Ste 110	South Carlsbad	CA	92009	Wooden Serenity, Inc. (Scott Wooden)	(760) 585-9101
CA-00-034	11704 Carmel Mountain Rd	San Diego	CA	92128	Rife Holdings, Inc. (Michael Rife)	(760) 670-4531
CA-00-038	2415 San Ramon Valley Blvd Ste 1	San Ramon	CA	94853	Pioneer Siva, Inc. (Jeyanthi Subramaniam)	(925) 838-7900
CA-00-042	711 Center Dr Ste 106-107	San Marcos	CA	92069	EnM Studio 1, LLC (Michael Dow)	(760) 621-8109
CA-04-002	6205 Pat's Ranch Rd Ste E	Mira Loma	CA	91752	Fetui Corp (Pago Fetui)	(951) 280-1200
CA-05-003	2281 E Thousand Oaks Blvd	Westlake Village	CA	91362	Mare, Inc. (Janice Juergens)	(805) 379-3800
CO-00-001	15446 E Orchard Rd	Centennial	CO	80016	Misha1, LLC (Shannon Barker)	(720) 529-3500
CO-00-003	2610 W Belleview Ave Ste 300	Littleton	CO	80123	CCZ Massage, LLC (Zachariah Zimmerer)	(303) 738-5903
CO-00-006	6365 E Hampden Ave Ste 103	Denver	CO	80222	RRZ Massage, LLC (Zachariah Zimmerer)	(303) 854-9155
CO-00-008	9475-B Briar Village Point Ste 154	Colorado Springs	CO	80920	Briargate Massage, Inc. (Eric Tuskind)	(719) 264-9500
CO-01-001	4004 Red Cedar Dr	Highlands Ranch	CO	80126	Weaver Health Highlands, LLC (Ann Marie Jacobsen)	(303) 683-8545
CO-01-003	3571 South Tower Rd Ste A	Aurora	CO	80013	Sollis, LLC (Forrest Burdue)	(303) 400-4545
CO-01-005	3703 Bloomington St	Colorado Springs	CO	80922	Tuskind Enterprises LLC (Eric Tuskind)	(719) 596-6610
CO-01-006	12482 Ken Caryl Ave Ste A-5	Littleton	CO	80127	Weaver Longevity Littleton, LLC (Ann Marie Jacobsen)	(303) 979-0822
CO-01-007	2330 E Arapahoe Rd Ste 903	Centennial	CO	80122	Southglenn Wellness, LLC (John Fornarola)	(303) 798-2838
CO-02-001	18551 E Main St Ste 1B	Parker	CO	80134	Schwieder Zola Corporation (Craig Zola)	(303) 805-1902

Open Franchisees as of December 31, 2013

Studio No.	Studio Address	Studio City	Studio State	Zip	Studio Owner	Studio Telephone
CO-02-002	323 Metzler D Ste 105	Castle Rock	CO	80104	Health Connections of Castle Rock, Inc (Kristin Adams)	(303) 663-3702
CO-02-005	2321 30th St	Boulder	CO	80301	Mills Massage LLC (M. Kate Mills)	(303) 440-3998
CO-03-001	1367 E 6th Ave	Denver	CO	80218	Unlimited Surfaces, Inc. (Amy Tantillo)	(303) 339-3100
CO-03-004	8200 S Quebec St Ste A6	Centennial	CO	80112	Colorado Wellness Company, LLC (Lora Haimes)	(303) 770-6440
CT-00-002	2173 Black Rock Tpke	Fairfield	CT	06825	Howard Zegelstein	(203) 923-2303
FL-01-001	6290 W Sample Rd Ste 102	Coral Springs	FL	33067	Backstretch-South Florida LLC (Louise Casper)	(954) 757-2939
FL-01-002	5030 Champion Blvd Ste D7	Boca Raton	FL	33496	Church Family Enterprises LLC (Michael Church)	(561) 241-6690
FL-03-001	8109 Cooper Creek Blvd	University Park	FL	34201	Wellness Massage Studios - University Shoppes, Inc (Cheryl Badiali)	(941) 366-1168
GA-00-001	4279 Roswell Rd Ste 4	Atlanta	GA	30342	Elsbeth England	(404) 254-4050
IA-00-001	1704 W 1st St Ste D	Cedar Falls	IA	50613	JDS Holdings, LLC (John Schofield)	(319) 277-1392
UT/ID-01-001	3065 S Bown Way	Boise	ID	83706	Refresh Yourself, LLC (Carly Opheim)	(208) 331-9900
UT/ID-01-002	7447 W Emerald St Ste 150	Boise	ID	83704	OSC Group, Inc. (Marguerite Overton)	(208) 344-3744
UT/ID-01-003	1505 S Eagle Rd Ste 100	Meridian	ID	83642	Pabali, LLC (Hiliary Sautebin)	(208) 888-9922
WA/ID-01-009	3516 N Government Way	Coeur D'Alene	ID	83815	Restorative Touch Inc. (Mike Davis)	(208) 966-4397
IL-00-003	507 S 3rd St Ste C	Geneva	IL	60134	MGB Wellness III, LLC (Gary Burge)	(630) 232-7335
IL-00-007	4700 Gilbert Ave Ste 45	Western Springs	IL	60558	South Loop Roosevelt, LLC (Gregory Clark)	(708) 505-4513
IL-01-003	33 S NW Hwy	Park Ridge	IL	60068	Tri Elements, Inc. (Ralph Epifanio)	(847) 430-3800
IL-02-001	395 W NW Hwy	Palatine	IL	60067	AG Wellness Group, LLC (Dan Benson)	(847) 963-1600
IL-02-002	142 S Gary Ave Ste 104	Bloomington	IL	60108	Dan Benson	(630) 894-5500
IL-02-003	1001 W 75th St Ste 131	Woodridge	IL	60517	Serisani, LLC (Anita Sheth)	(630) 910-3400
IL-02-004	371 Town Sq	Wheaton	IL	60189	HFV, LLC (Ernest Holton)	(630) 871-4580
IL-02-005	2523 Waukegan Rd Ste 111	Bannockburn	IL	60015	Palm Ventures, LLC (Suzanne Rossi)	(847) 607-8362
IN-00-001	3965 E 82nd St	Indianapolis	IN	46240	MBRG Canvas Holdings, LLC (William Van Valer)	(317) 222-5641
IN-00-002	10020 Lima Rd	Fort Wayne	IN	46845	Summit City Healing LLC (Judy Gatton)	(260) 739-3823
KY-00-001	1301 Herr Ln	Louisville	KY	40222	Meridian Lines, LLC (M Colleen O'Connor)	(502) 412-9383
KY-01-002	6805 Houston Rd Ste 400	Florence	KY	41042	Highlander Enterprise of Florence, LLC (Russell Campbell)	(859) 282-1726
MA-00-001	435 Paradise Rd	Swampscott	MA	01907	JK Enterprises, LLC (Janice Kilburn)	(781) 584-8470
MA-00-002	1 Shipyard Dr	Hingham	MA	02043	Endless Equilibrium Hingham Incorporation (Rosemary McLaughlin)	(781) 740-3160
MA-00-003	179 Broad St Ste 21	Bridgewater	MA	02324	Endless Equilibrium Brookline Incorporation (Rosemary McLaughlin)	(508) 807-1913
MA-00-006	197D Boston Post Rd W Rte 20	Marlborough	MA	01752	Liberty Wellness Group, LLC (Pierre Richard)	(508) 485-3300
MA-00-007	40 High St	Medford	MA	02155	Tissandier Corp. (Isabella Wiryo)	(781) 391-4900
MA-00-008	100 Boston Turnpike	Shrewsbury	MA	01545	AJD Ventures, Inc. (Andrew Dudka)	(508) 925-5100
MA-00-011	855 Highland Ave	Needham	MA	02494	Under Oak Enterprises, Inc. (Matthew Simpson)	(781) 444-5544
MA-00-012	870 Commonwealth Ave	Brookline	MA	02215	But There's the Rub (Chuck Goldman)	(617) 585-0055
MA-01-001	92 S Main St Rte 114	Middleton	MA	01949	Platinum Elements, Inc. (Stephen Stabile)	(978) 774-6100

Open Franchisees as of December 31, 2013

Studio No.	Studio Address	Studio City	Studio State	Zip	Studio Owner	Studio Telephone
MA-01-002	1290 Washington St	West Newton	MA	02465	Refresh, LLC (Sandra Mayer)	(617) 467-6072
MA-01-003	200-A Main St Rte 28	Stoneham	MA	02180	Lazen Stoneham, LLC (Xiongwen Lai)	(781) 438-4110
MA-01-004	446 Main St Rte 38	Woburn	MA	01801	Lazen Woburn, LLC (Xiongwen Lai)	(781) 932-3500
MA-01-005	693 Belmont St	Belmont	MA	02478	Refresh, LLC (Sandra Mayer)	(617) 484-3400
MA-01-006	209 N Main St	Andover	MA	01810	Elements Wellness, Inc. (Cheryl Arbia)	(978) 475-2266
MA-01-007	45 Enon St	Beverly	MA	01915	The Freedom Wellness Group, Inc. (Pierre Richard)	(978) 921-1144
MA-01-010	74 Long Pond Rd	Plymouth	MA	02360	WP Bryan Group, LLC (Wendy Bryan)	(508) 732-9797
MA-01-011	1555 Main St Ste 101	Tewksbury	MA	01876	Elements Wellness MetroWest, Inc. (Cheryl Arbia)	(978) 319-4584
MA-01-012	101 Cambridge St Ste260	Burlington	MA	01803	ETM Massage of Burlington, Inc. (Kip LeBaron)	(781) 270-4433
MA-01-014	9 Cornerstone Sq Ste 800 Bldg E	Westford	MA	01886	Tranquility Wellness Group LLC (Pierre Richard)	(978) 577-5700
MA-01-015	149 Great Rd	Acton	MA	01720	Harmony and Wellness Group (Pierre Richard)	(978) 493-5900
MA-01-016	45 Storey Ave	Newburyport	MA	01950	Infinity Wellness Group, LLC (Matthew Perry)	(978) 358-7233
MA-01-017	400 Boston Post Rd	Wayland	MA	01778	Sapphire Wellness Group, LLC (John Laspisa)	(508) 358-2700
MA-01-018	95 Washington St	Canton	MA	02021	Bryan Wellness Group, LLC (Wendy Bryan)	(781) 562-1919
MA-03-001	80 Center Sq	East Longmeadow	MA	01028	Pioneer Valley Welness, Inc. (John Pantera)	(413) 525-4456
MD-01-001	3059 Solomons Island Rd Ste D	Edgewater	MD	21037	Elements of Maryland, Inc. (Cheryl Stewart)	(410) 571-5112
MD-01-002	1702G Transportation Blvd	Crofton	MD	21114	Elements of Maryland, Inc. (Cheryl Stewart)	(410) 451-6777
MD-01-003	2442 Broad Ave	Timonium	MD	21093	PHB Enterprises, Inc. (Harry Barrick)	(410) 252-8800
MI-01-001	47220 Ten Mile Rd	Novi	MI	48374	SIE Enterprises, LLC (Laurie Saham)	(248) 348-8770
MI-01-003	6846 Rochester Rd	Troy	MI	48085	Carol Glowczewski	(248) 828-0088
MI-01-006	755 E Maple Rd	Birmingham	MI	48009	MI Massage 1, LLC (Adam Wilensky)	(248) 988-8900
MN-01-001	10165 Hennepin Town Rd	Eden Prairie	MN	55347	SKK Enterprises, LLC (Bruce McNeill)	(952) 405-6220
MN-01-004	3519 Hazelton Rd	Edina	MN	55435	Prehab, Inc. (Julia Thompson)	(952) 835-8649
MN-01-009	8150 Collier Way Ste 100U	Woodbury	MN	55125	River's Edge Holdings, Inc. (Jeffrey Davis)	(651) 433-7171
MN-01-010	2100 Snelling Ave N Ste 66B	Roseville	MN	55113	Ketch4, Inc. (Thomas Ketchmark)	(651) 356-8297
NC-00-001	4722-D Sharon Rd	Charlotte	NC	28210	Mark Little Enterprises, Inc. (Mark Little)	(704) 556-2006
NC-00-004	3675 SW Cary Pkwy	Cary	NC	27513	Fifth Harmonic, Inc. (Linda Van Horn)	(919) 380-9000
NH-00-002	775 Lafayette Rd	Portsmouth	NH	03801	Business Vision Franchising, LLC (Parnell Woodard)	(603) 559-9014
NH-00-003	2 Cellu Dr	Nashua	NH	03063	Business Vision Franchising, LLC (Parnell Woodard)	(603) 943-8611
NH-00-004	315C S Broadway	Salem	NH	03079	Superior Touch Therapy Group, LLC (Jackie Martinez)	(603) 898-0045
NJ-00-002	1260 Springfield Ave	New Providence	NJ	07974	Steve and Jen Go Zen, LLC (Stephen Micciche)	(908) 464-1860
NJ-00-003	352 Princeton Hightstown Rd Ste 3	West Windsor	NJ	08550	Noviam, LLC (Pat Muth)	(609) 799-1110
NJ-00-006	496 Bloomfield Ave	Montclair	NJ	07042	Dragoncare Holdings, LLC (Joseph Thorton)	(973) 509-1119
NJ-00-007	177 Washington Valley Rd	Warren	NJ	07059	The Coleman Group, Inc. (James Coleman)	(908) 534-9188
NJ-00-008	650 Union Blvd	Totowa	NJ	07512	JGN Massage, LLC (Jill Clarvit)	(973) 256-7700

Open Franchisees as of December 31, 2013

Studio No.	Studio Address	Studio City	Studio State	Zip	Studio Owner	Studio Telephone
NJ-00-010	1767 Rte 10 Ste 6	Morris Plains	NJ	07950	NILU Wellbeing, LLC (Nina Amidon)	(973) 993-0990
NJ-00-012	244 Franklin Ave	Nutley	NJ	07110	Cheryl Karol	(973) 542-8449
NJ-00-017	18 North Avenue W	Cranford	NJ	07016	Mandel Ventures, LLC (Sherry Mandel)	(908) 276-1099
NJ-00-020	1584 Kings Hwy N	Cherry Hill	NJ	08034	Rogo Brothers, Inc. (Kevin Knapp)	(856) 888-2323
NJ-00-022	1199 Amboy Ave	Edison	NJ	08837	ACND Partners, Inc. (Achson Chin)	(848) 200-7460
NJ-00-028	2441 New Jersey Hwy	Manasquan	NJ	08736	Alexander Funding Group, LLC (Alex Farganis)	(732) 800-3022
NM-00-001	8000 Paseo Del Norte NE Ste B3	Albuquerque	NM	87122	JudKo Corporation (Stephanie Juddo)	(505) 856-3556
NV-01-001	2970 Saint Rose Pkwy Ste 130	Henderson	NV	89052	Nevada Wellness Inc. (Cherlyn White)	(702) 243-3386
NV-01-002	1215 S Fort Apache Rd Ste 150	Las Vegas	NV	89117	MBTST Corporation (Sandra Nelson)	(702) 487-6677
NY-00-001	824 Fort Salonga Rd	Northport	NY	11768	Napa Bound, Inc. (Richard DeSantis)	(631) 651-5700
NY-00-006	316A Sunrise Hwy	Rockville Centre	NY	11570	Melissa Miller Enterprises, Inc. (Melissa Catalano)	(516) 544-4400
NY-01-001	42 E Main St	Smithtown	NY	11787	DeMar 13, LLC (Ryan DeMarco)	(631) 406-6611
OH-00-001	9321 Mason-Montgomery Rd	Mason	OH	45040	The Wilmanns Group, Inc. (Thomas Wilmanns)	(513) 445-3377
OH-00-004	7594 Cox Ln	West Chester	OH	45069	PMBD Garrett, Inc. (Pamela Garrett)	(513) 755-1192
OH-01-001	3804 Fishinger Blvd	Hilliard	OH	43026	Seiler Enterprises, LLC. (Jonathan Seiler)	(614) 777-0222
OH-01-002	35638 Detroit Rd Ste 105	Avon	OH	44011	NEO Wellness, LLC (Colleen Davis)	(440) 787-3344
OK-01-001	1321 N Bryant Ave	Edmond	OK	73034	Hazzard Enterprises, LLC (Michele Hazzard)	(405) 216-5252
OK-01-002	3533 W Memorial Rd	Oklahoma City	OK	73134	Elements Plus, LLC (Tobi Brock)	(405) 418-4544
OK-01-003	5519 NW Expy	Warr Acres	OK	73132	Elements Plus, LLC (Tobi Brock)	(405) 470-7300
OK-01-004	2133 W 15th St	Edmond	OK	73013	Hazzard Enterprises, LLC (Michele Hazzard)	(405) 341-2399
OK-01-007	1204 N Interstate Dr Ste 140	Norman	OK	73072	McCalla Enterprises, LLC (Matthew McCalla)	(405) 310-4355
OR-01-001	22000 Willamette Dr Ste 107	West Linn	OR	97068	Serviam Wellness, Inc. (Rick Snook)	(503) 722-8888
OR-01-004	3 Monroe Pkwy Ste 100U	Lake Oswego	OR	97035	RF Heikens Enterprises, Inc (Roger Heikens)	(503) 387-3205
OR-01-005	1229 NW Marshall St	Portland	OR	97209	Kardas, Inc. (Andrew Kardas)	(516) 544-4400
OR-01-010	8695 SW Jack Burns Blvd Ste A	Wilsonville	OR	97070	Kevin Bier	(503) 427-2698
PA-00-001	6416 Carlisle Pike Ste 3200	Mechanicsburg	PA	17050	Debbie Fasnacht	(717) 766-2280
SC-00-001	1025 Woodruff Rd	Greenville	SC	29607	Green Pathways, Inc. (Lynn Cuddihee)	(864) 288-1996
TN-00-001	533 N Thompson Ln	Murfreesboro	TN	37129	Emandi Corporation (Andrea Gibson)	(615) 410-7700
TN-00-002	782 Old Hickory Blvd Ste 113	Brentwood	TN	37027	Allan Larson	(615) 730-6806
TN-00-003	539 Cool Springs Blvd Ste 140	Franklin	TN	37067	MWS Wellness, LLC (Michael Schenck Jr)	(615) 771-0003
TX-00-001	5706 Hwy 6 S	Missouri City	TX	77459	Mandalinci Group LLC (Mehmet Mandalinci)	(281) 403-5300
TX-00-002	2750 E Southlake Blvd Ste 150	Southlake	TX	76092	Quantum Merit Ventures, Inc. (David Fesperman)	(817) 381-7000
TX-00-003	2550 Cross Timbers Rd Ste 124/128	Flower Mound	TX	75028	Quantum Merit Ventures, Inc. (David Fesperman)	(972) 899-2910
TX-00-008	6025 Roayl Ln Ste 207	Dallas	TX	75230	EmSo II Enterprises LLC (David Galvanek)	(214) 369-4100
TX-00-010	1921 Preston Rd Ste 2012	Plano	TX	75093	EmSo Enterprises LLC (David Galvanek)	(971) 248-3001

Open Franchisees as of December 31, 2013

Studio No.	Studio Address	Studio City	Studio State	Zip	Studio Owner	Studio Telephone
TX-00-012	10700 Kuykendahl Rd Ste I	The Woodlands	TX	77381	Mandalinci Group LLC (Mehmet Mandalinci)	(832) 585-0011
TX-00-015	10003 NW Military Hwy Ste 1102	San Antonio	TX	78230	Milex Capital, LLC (John Rackler)	(210) 541-4050
TX-00-017	603 Louis Henna Blvd Ste Bl 90	Round Rock	TX	78664	Chivis Therapeutic Massage, Inc. (Alvaro Echeverria)	(864) 288-1996
TX-00-019	21019 Highway 281 N Ste 838	San Antonio	TX	78264	Milex Capital, LLC (John Rackler)	(210) 497-7770
TX-00-025	14028 N US Hyw 183	Austin	TX	78717	Nextgenm3 Enterprises, Inc. (Levi Murray III)	(512) 250-8800
TX-00-027	4003 N 10th St	McAllen	TX	78504	O & O Wellness Plus, LLC (Soon Teik Ooi)	(956) 618-3098
TX-00-028	1475 E Beltline Rd Ste 210	Richardson	TX	75081	Hedrick Wellness Group, LLC (Stephen Hedrick)	(972) 231-5100
TX-01-001	3975 State Hwy 6 S Ste 700	College Station	TX	77845	WAL Interest, LLC (Cliffard Latham)	(979) 696-2000
TX-01-003	3001 Wildflower Dr Ste 611	Bryan	TX	77802	WAL Interest, LLC (Cliffard Latham)	(979) 774-4343
TX-01-004	15260 Hwy 105 W Ste 125	Montgomery	TX	77356	Mandalinci Group LLC (Mehmet Mandalinci)	(936) 570-6060
UT/ID-01-005	1684 W Town Center Dr Ste F-1A	South Jordan	UT	84095	Wellness Now, Inc. (Hugh Washburn)	(801) 937-4191
VA-00-003	122 Maple Ave W Unit 2	Vienna	VA	22180	RMS Wellness Enterprises LLC (Renee Soulliard)	(703) 865-7373
VA-00-005	44110 Ashburn Shopping Plz Ste 136	Ashburn	VA	20147	Ellie Ments Wellness Ashburn VA LLC (James Pallotta)	(571) 223-1615
WA/ID-01-001	3209 E 57th Ave Ste H	Spokane	WA	99223	Cannon Sparks Massage, LLC (Steven Sparks)	(509) 448-9398
WA/ID-01-002	460 NE 70th St	Seattle	WA	98115	Jenner/Culp LLC (Larry Culp)	(206) 522-4000
WA/ID-01-003	101 E Hastings Rd	Spokane	WA	99218	Sparks Massage LLC (Steven Sparks)	(509) 340-3303
WA/ID-01-004	325 S Sullivan Ste B	Spokane Valley	WA	99037	Restorative Touch Inc. (Mike Davis)	(509) 928-9098
WA/ID-01-005	731 Gage Blvd	Richland	WA	99352	Restorative Touch Inc. (Mike Davis)	(509) 737-1461
WA/ID-01-006	1319 NE 134th St Ste 103	Vancouver	WA	98685	CKE Longevity, LLC (Regina Swartz)	(360) 574-3141
WA/ID-01-010	10575 NE 12th St Ste 17	Bellevue	WA	98004	Cascades Therapeutic Massage, LLC (Daniel DiPasquo)	(452) 292-7888
WA-00-003	24061 SE 264th St Ste M200	Maple Valley	WA	98038	Fifty Holdings, Inc. (Wayne Wilkinson)	(425) 200-0391
WA-02-001	670 NW Gilman Blvd	Issaquah	WA	98027	Seattle MFR, LLC (Glenda Poletti)	(425) 427-6562
WA-02-002	10021 Holman Road NW	Seattle	WA	98177	Seattle MFR, LLC (Glenda Poletti)	(206) 632-8300
WI-01-001	1950 Cayuga St	Middleton	WI	53562	Elements Middleton LLC (Sherry Mix)	(608) 824-9099
WI-01-002	12920 W Bluemound Rd	Elm Grove	WI	53122	Elements Elm Grove, LLC (Jodi Brunner)	(262) 754-3850
WI-02-001	312 E Silver Spring Dr	Whitefish Bay	WI	53217	etm Milwaukee, LLC (Aimee Matchette)	(414) 332-3260
WI-02-002	2728 Hillside Dr	Delafield	WI	53018	Jabez Discovery, Inc. (Larry Gundrum)	(262) 303-4081

EXHIBIT C2

FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR

Exhibit C2

Exhibit C2

Franchise owners who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the last year.

Former Studio No.	Former Studio City	Former Studio State	Former Owner	Former Owner Telephone	Reason For Change
CA-00-009	Cupertino	CA	Sunnyvale Massage, LLC (Lisa Meteyer)	(408) 482-2630	Agreement Terminated, Never Opened *
CA-00-014	Fremont	CA	Anand Krishnamurthy	(214) 244-6561	Agreement Terminated, Never Opened *
CA-00-017	Sunnyvale	CA	MaKena Point, Inc. (James Elder)	(408) 930-6766	Transferred
CA-00-018	Los Gatos	CA	James Elder	(408) 930-6766	Agreement Terminated, Never Opened *
CA-00-022	Blossom Hill	CA	James Elder	(408) 930-6766	Agreement Terminated, Never Opened *
CA-00-030	Campbell	CA	Arshia Baig	(408) 900-8077	Agreement Terminated, Never Opened *
CO-00-002	Aurora	CO	Misha1, LLC (Shannon Barker)	(720) 934-4497	Ceased Operations
CO-00-003	Littleton	CO	Misha1, LLC (Shannon Barker)	(720) 934-4497	Transferred
CO-01-001	Highlands Ranch	CO	McKay Franchise Corp. (Cody McKay)	(602) 770-0377	Transferred
CO-01-006	Ken Caryl	CO	McKay Franchise Corp. (Cody McKay)	(602) 770-0377	Transferred
CO-01-007	Centennial	CO	Christinas Road to Success, LLC (Chritina Mallard)	(303) 507-7055	Transferred
IL-00-001	Naperville	IL	MGB Wellness I, LLC (Gary Burge)	(630) 665-7623	Agreement Terminated, Never Opened *
IL-00-002	St Charles	IL	MGB Wellness II, LLC (Gary Burge)	(630) 665-7623	Agreement Terminated, Never Opened *
IL-00-006	Gold Coast	IL	Shola Aluko	(312) 624-8640	Agreement Terminated, Never Opened *
IL-01-002	Orland Park	IL	Agee Holdings, Inc. (Rosalind Agee)	(708) 922-3810	Ceased Operations
MA-01-003	Stoneham	MA	Swanson Fitness, Inc. (Lisa Swanson)	(781) 710-6781	Transferred
MA-01-004	Woburn	MA	Rikash, LLC (Richard Kashian)	(617) 216-5612	Transferred
MI-00-001	Plymouth	MI	SIE Enterprises, LLC (Laurie Saham)	(248) 203-6262	Agreement Terminated, Never Opened
MI-01-007	Ann Arbor	MI	MI Massage 2, LLC (Adam Wilensky)	(773) 991-8626	Agreement Terminated, Never Opened
MN-01-006	Maple Grove	MN	MG Health, LLC (Matthew Sherek)	(952) 476-8773	Ceased Operations
NH-00-004	Salem	NH	Liberty Wellness Group, LLC (Pierre Richard)	(978) 360-7345	Transferred Prior to Opening
NJ-00-015	Chester	NJ	Peaceful Interlude, Inc. (Alicia Cherniak)	(908) 269-8637	Ceased Operations
NJ-00-029	Shrewsbury	NJ	Tracy Mesa	(848) 459-2273	Agreement Terminated, Never Opened *
NJ-00-030	Flemington	NJ	Well Self Corp. (Jon Wells)	(817) 915-7120	Agreement Terminated, Never Opened *
NJ-00-031	Hillsborough	NJ	Jon Wells	(817) 915-7120	Agreement Terminated, Never Opened *
NJ-00-032	Ft Lee	NJ	Theodore Stratis	(201) 419-8921	Agreement Terminated, Never Opened *
PA-00-002	North Wales	PA	Charles McNew	(215) 643-9538	Agreement Terminated, Never Opened *
PA-00-003	Dresher	PA	Charles McNew	(215) 643-9538	Agreement Terminated, Never Opened *
PA-00-004	East Norriton/Blue Bell	PA	Charles McNew	(215) 643-9538	Agreement Terminated, Never Opened *
TX-00-015	San Antonio	TX	Metamorphosis Texas, Inc. (Denise Gillis)	(210) 257-8447	Transferred
TX-00-022	Allen	TX	ETM Wellness Ventures II, LLC (Jason Manomaivat)	(214) 907-1817	Agreement Terminated, Never Opened *
TX-00-023	Plano	TX	ETM Wellness Ventures, LLC (Jason Manomaivat)	(214) 907-1817	Agreement Terminated, Never Opened *
TX-00-024	McKinney	TX	ETM Wellness Ventures III, LLC (Jason Manomaivat)	(214) 907-1817	Agreement Terminated, Never Opened *
TX-01-004	Montgomery	TX	Anthony Hernandez	(936) 689-0044	Transferred
VA-00-009	Richmond	VA	Brian Tun	(804) 864-3438	Agreement Terminated, Never Opened *
WA/ID-01-004	Spokane Valley	WA	Papa Tony's Enterprise, LLC (Anthony Giardino)	(509) 990-3248	Transferred
WA-02-003	Redmond	WA	Donald MacLeod	(425) 503-6044	Agreement Terminated, Never Opened

* Voluntarily Terminated by Franchisee

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

EXHIBIT C3

LIST OF FRANCHISES SOLD BUT NOT YET OPENED AS OF 12/31/2013

Exhibit C3

Exhibit C3

Franchises Sold But Not Yet Opened as of December 31, 2013

Studio No.	Studio Territory	Studio State	Studio Owner	Owner Phone
AZ-00-001	Chandler	AZ	Jason Lenhart	(303) 525-6979
AZ-00-002	Pinnacle Peak Heights, Scottsdale	AZ	Gregory Clark	(480) 563-8864
AZ-00-003	Chandler	AZ	Edward Wagner	(602) 339-0330
AZ-00-004	Fox Crossing, Chandler	AZ	Edward Wagner	(602) 339-0330
AZ-04-011	West Camelback Corridor	AZ	Jade & Jasmine Company (Gary Reichow)	(646) 252-4421
AZ-04-012	Arcadia, Phoenix	AZ	Salk Hunger LLC (Scott Salk)	(623) 322-3847
AZ-04-014	North Tempe	AZ	Salk Hunger LLC (Scott Salk)	(623) 322-3847
CA-00-008	West San Jose	CA	Sunnyvale Massage, LLC (Lisa Meteyer)	(408) 482-2630
CA-00-011	Newport Beach	CA	Conkillian Enterprises, Inc. (Erina Buckley)	(949) 572-3111
CA-00-013	Huntington Beach	CA	Conkillian Enterprises, Inc. (Erina Buckley)	(949) 572-3111
CA-00-015	Castro Valley	CA	Anand Krishnamurthy	(214) 244-6561
CA-00-019	Quail Hill, Irvine or Tustin	CA	Net+Positive Corp. (Aaron Miller)	(714) 679-1013
CA-00-024	Walnut Creek	CA	LC Rice Enterprises Inc. (Claire Rice)	(415) 244-1008
CA-00-025	Alisa Viejo	CA	Go Modern Health, Corp. (Michael O'Keefe)	(951) 313-6815
CA-00-028	Mountain View	CA	Lee Ng	(408) 531-5171
CA-00-031	Carmel Valley, San Diego	CA	Wooden Serenity, Inc. (Scott Wooden)	(858) 481-5323
CA-00-032	Solana Beach	CA	Wooden Serenity, Inc. (Scott Wooden)	(858) 481-5323
CA-00-035	Miramar Ranch, San Diego	CA	Michael Rife	(760) 233-0414
CA-00-036	Orange	CA	Eden & Cole Enterprises (Richard Miller)	(714) 368-8698
CA-00-037	North Tustin	CA	Eden & Cole Enterprises (Richard Miller)	(714) 368-8698
CA-00-039	Pleasanton	CA	Jeyanthi Subramaniam	(510) 742-8595
CA-00-040	Oceanside	CA	Michael Dow	(760) 889-2358
CA-00-041	Vista	CA	Michael Dow	(760) 889-2358
CA-00-043	Simi Valley	CA	Athena Stone Wellness, Inc. (Carolyn Boucher)	(805) 581-9311
CA-00-044	Redwood City	CA	Melissa Seger	(650) 520-6113
CA-00-045	Foster City	CA	Melissa Seger	(650) 520-6113
CA-00-046	Los Gatos	CA	Melissa Seger	(650) 520-6113
CA-00-047	Upland	CA	CS Arya LLC (Chetan Channaveeraiah)	(909) 945-2754
CA-00-048	San Clemente	CA	LG Body Balance (Lynne Goldsmith)	(949) 636-0562
CA-00-049	Brea	CA	Soliz-Fortis, Inc. (Celeste Soliz)	(951) 656-5901
CA-00-050	Campbell	CA	5Rock Ventures, LLC (Roger LaPierre)	(650) 964-6111
CA-00-051	Cupertino/Los Altos	CA	5Rock Ventures, LLC (Roger LaPierre)	(650) 964-6111
CO-00-004	Denver	CO	Unlimited Surfaces, Inc. (Amy Tantillo)	(303) 322-1732

ETM Studio (Unit)

Ex. C3 - 03/2014 List of Franchises Sold But Not Opened
1075.001.007/76175.1

Exhibit C3

Franchises Sold But Not Yet Opened as of December 31, 2013

Studio No.	Studio Territory	Studio State	Studio Owner	Owner Phone
CO-00-005	Stapleton, Denver	CO	Zachariah Zimmerer	(303) 537-5732
CO-00-007	DTC, Greenwood Village	CO	Zachariah Zimmerer	(303) 537-5732
CO-00-010	Lakewood	CO	John Fornarola	(303) 722-9591
CT-00-001	Westport	CT	Howard Zegelstein	(914) 234-2074
CT-00-003	Riverside	CT	Howard Zegelstein	(914) 234-2074
CT-00-004	New Canaan	CT	Chuck Goldman	(781) 883-4877
FL-01-004	Pincrest	FL	Wellness Miami, LLC (Jutta Campiani-Kopp)	(305) 735-2373
FL-01-005	Coral Gables	FL	Wellness Miami, LLC (Jutta Campiani-Kopp)	(305) 735-2373
FL-01-006	Miami Beach	FL	Wellness Miami, LLC (Jutta Campiani-Kopp)	(305) 735-2373
FL-03-004	Davie	FL	Sehat, Inc. (Engin Cosmai)	(201) 220-1931
FL-03-005	Pembroke Pines	FL	Sehat, Inc. (Engin Cosmai)	(201) 220-1931
GA-00-002	Duwoody or Sandy Springs	GA	Elsbeth England	(404) 255-3186
GA-00-003	Midtown, Atlanta	GA	Ingrid Smith	(404) 659-9110
IL-00-004	Lincoln Park North	IL	Sebsol, LLC (Shola Aluko)	(312) 624-8640
IL-00-005	Wriggleyville	IL	Shola Aluko	(312) 624-8640
IL-00-008	South Loop	IL	Gregory Clark	(480) 563-8864
IL-00-010	Naperville	IL	Lisa Collins	(972) 795-8984
IL-00-011	Elmwood Park	IL	Jean Erdhardt	(708) 254-3278
IL-00-012	Forest Park	IL	Jean Erdhardt	(708) 254-3278
IL-01-004	Wilmette	IL	Tri Elements, Inc. (Ralph Epifanio)	(847) 991-3362
KY-01-001	Louisville	KY	M Colleen O'Connor	(502) 609-1768
MA-00-004	Braintree	MA	Endless Equilibrium Hingham Incorporation (Rosemary McLaughlin)	(617) 448-2816
MA-00-009	Ashland	MA	AJD Ventures, Inc. (Andrew Dudka)	(508) 234-4282
MA-00-013	Cambridge	MA	Lazen Enterprises, LLC (Xiongwen Lai)	(978) 457-0046
MD-00-001	Davidsonville	MD	Magic Hands Enterprises, LLC (Ken Piering)	(301) 775-2007
MD-00-002	TBD	MD	Magic Hands Enterprises, LLC (Ken Piering)	(301) 775-2007
MI-00-002	Farmington	MI	SIE Enterprises, LLC (Laurie Saham)	(248) 203-6262
MI-01-008	Bloomfield Hills/West Bloomfield	MI	MI Massage 3, LLC (Adam Wilensky)	(773) 991-8626
MN-00-001	Apple Valley	MN	Thomas Ketchmark	(651) 552-9077
MN-00-002	Maple Grove	MN	Cammy Bahner	(952) 681-0221
MN-01-002	Minnetonka	MN	SKK E2, LLC (Bruce McNeill)	(952) 212-4337
MN-01-003	Plymouth	MN	Prehab, Inc. (Julia Thompson)	(952) 944-1257
MN-01-005	Eagan	MN	Prehab, Inc. (Julia Thompson)	(952) 944-1257

ETM Studio (Unit)

Ex. C3 - 03/2014 List of Franchises Sold But Not Opened
1075.001.007/76175.1

Exhibit C3

Franchises Sold But Not Yet Opened as of December 31, 2013

Studio No.	Studio Territory	Studio State	Studio Owner	Owner Phone
MN-01-007	Burnsville	MN	River's Edge Capital, LLC (Jeffrey Davis)	(952) 461-1331
MN-01-008	Kenwood	MN	River's Edge Capital, LLC (Jeffrey Davis)	(952) 461-1331
NC-00-003	Mathews	NC	Mark Little Enterprises, Inc. (Mark Little)	(704) 844-0263
NC-00-005	Cary	NC	Linda Van Horn	(919) 650-2807
NC-00-006	Charlotte	NC	Anderson Wellness, LLC (Lucy Anderson)	(704) 565-5442
NH-00-001	Stratham	NH	Business Vision Franchising, LLC (Parnell Woodard)	(917) 566-7234
NJ-00-004	Short Hills	NJ	Dragoncare Holdings, LLC (Joseph Thornton)	(973) 376-2119
NJ-00-005	Livingston	NJ	Dragoncare Holdings, LLC (Joseph Thornton)	(973) 376-2119
NJ-00-009	Morristown	NJ	Nina Amidon	(201) 396-6294
NJ-00-011	Succasunna	NJ	Nina Amidon	(201) 396-6294
NJ-00-013	Hoboken	NJ	Cheryl Karol	(973) 320-5686
NJ-00-014	West New York/New Jersey	NJ	Cheryl Karol	(973) 320-5686
NJ-00-016	Mansfield	NJ	Peaceful Interlude, Inc. (Alicia Cherniak)	(908) 269-8637
NJ-00-018	Bridgewater	NJ	Mandel Ventures, LLC (Sherry Mandel)	(973) 386-1237
NJ-00-019	Basking Ridge	NJ	Mandel Ventures, LLC (Sherry Mandel)	(973) 386-1237
NJ-00-021	Mt. Laurel	NJ	Kevin Knapp	(856) 223-9202
NJ-00-023	Westwood	NJ	Stephen Klein	(908) 642-5138
NJ-00-024	Paramus	NJ	Stephen Klein	(908) 642-5138
NJ-00-025	Wyckoff	NJ	Stephen Klein	(908) 642-5138
NJ-00-026	Princeton	NJ	Alexander Funding Group, LLC (Alex Farganis)	(917) 612-5899
NJ-00-027	Englishtown	NJ	Alexander Funding Group, LLC (Alex Farganis)	(917) 612-5899
NJ-00-033	Riverdale	NJ	Stratispheric Inc. (Theodore Stratis)	(201) 419-8921
NJ-00-034	Chester	NJ	Ferry Firmansjah	(908) 668-8809
NY-00-002	Plainview	NY	Napa Bound, Inc. (Richard DeSantis)	(631) 239-6437
NY-00-003	Glen Cove	NY	Napa Bound, Inc. (Richard DeSantis)	(631) 239-6437
NY-00-004	Malverne	NY	Melissa Miller Enterprises, Inc. (Melissa Catalano)	(917) 833-9094
NY-00-005	Merrick	NY	Melissa Miller Enterprises, Inc. (Melissa Catalano)	(917) 833-9094
NY-00-007	White Plains	NY	Franco Wellness Leaders, Inc. (Patty Franco)	(914) 231-7953
NY-00-008	Stonybrook/Lake Grove	NY	Mangalath Group, Inc. (Benny Mangalath)	(631) 903-2036
NY-00-009	Huntington	NY	Mangalath Group, Inc. (Benny Mangalath)	(631) 903-2036
NY-00-010	North Babylon	NY	Mangalath Group, Inc. (Benny Mangalath)	(631) 903-2036
NY-00-011	Clifton Park	NY	Ruffigan Enterprises Inc. (Robert Hanks)	(615) 624-2585
OH-00-002	Loveland	OH	The Wilmanns Group, Inc. (Thomas Wilmanns)	(513) 716-8477

ETM Studio (Unit)

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Franchises Sold But Not Yet Opened as of December 31, 2013

Studio No.	Studio Territory	Studio State	Studio Owner	Owner Phone
OH-00-003	Sharonville	OH	The Wilmanns Group, Inc. (Thomas Wilmanns)	(513) 716-8477
OH-00-005	Silverton	OH	Pamela Garrett	(513) 494-0334
OH-00-006	Hyde Park, Cincinnati	OH	Russell Campbell	(513) 659-0658
OH-00-007	Northgate, Cincinnati	OH	Russell Campbell	(513) 659-0658
OH-00-008	Dublin	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-009	Columbus-Polaris	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-010	Gahanna-New Albany	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-011	Clintonville-Worthington	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-012	South Columbus	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-013	Centerville-Miamisburg	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OH-00-014	Beavercreek-Kettering	OH	Helping Hands Massage Therapy, LLC (Lisa Zucco)	(513) 494-1931
OR-00-001	Gresham	OR	KD Wellness Enterprises, LLC (David Marcotte)	(202) 390-7469
OR-00-002	Hillsboro	OR	Marcotte Studio One, Incorporated (David Marcotte)	(202) 390-7469
OR-00-003	Progress Ridge Town Square, Beaverton	OR	KD Wellness Enterprises, LLC (David Marcotte)	(202) 390-7469
OR-01-002	Tigard	OR	RF Heikens Enterprises, Inc. (Roger Heikens)	(503) 684-3339
OR-01-003	Beaverton	OR	RF Heikens Enterprises, Inc. (Roger Heikens)	(503) 684-3339
OR-01-006	Sherwood	OR	Serviam Wellness, Inc. (Rick Snook)	(503) 925-9237
OR-01-007	Bethany	OR	Serviam Wellness, Inc. (Rick Snook)	(503) 925-9237
OR-01-008	Sunnyside	OR	Kevin Bier	(360) 253-5772
OR-01-009	Hazelwood-Mill Park	OR	Kevin Bier	(360) 253-5772
PA-00-006	Camp Hill	PA	D5 Enterprises Inc. (Larry Oakes)	(717) 731-0799
PA-00-007	Harrisburg	PA	D5 Enterprises Inc. (Larry Oakes)	(717) 731-0799
PA-00-008	Langhorne	PA	TheHuntes Co. (Carl Hunte)	(215) 968-6986
PA-00-009	Doylestown	PA	TheHuntes Co. (Carl Hunte)	(215) 968-6986
PA-00-010	Allentown	PA	GeoPants Group Inc. (Todd George)	(610) 515-1607
PA-00-011	Bethlehem	PA	Todd George	(610) 515-1607
PA-00-012	Horsham	PA	My Wealth, Inc. (Kevin Robins)	(215) 793-0246
PA-00-013	Devon-Berwyn	PA	Kevin Robins	(215) 793-0246
RI-00-001	East Providence	RI	AJD Ventures, Inc. (Andrew Dudka)	(508) 234-4282
SC-00-002	Simpsonville	SC	Green Pathways, Inc. (Lynn Cuddihee)	(864) 420-5934
TX-00-004	Colleyville	TX	Quantum Merit Ventures (David Fesperman)	(972) 998-2099
TX-00-009	Dallas	TX	EmSo Enterprises LLC (David Galvanek)	(210) 885-4970
TX-00-011	Frisco	TX	EmSo Enterprises LLC (David Galvanek)	(210) 885-4970

ETM Studio (Unit)

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Franchises Sold But Not Yet Opened as of December 31, 2013

Studio No.	Studio Territory	Studio State	Studio Owner	Owner Phone
TX-00-014	The Woodlands	TX	Mandalinci Group LLC (Mehmet Mandalinci)	(832) 585-0161
TX-00-018	Chimney Corners	TX	Chivis Therapeutic Massage, Inc. (Alvaro Echeverria)	(512) 535-0601
TX-00-020	Alamo Heights	TX	John Rackler	(210) 998-4394
TX-00-021	San Antonio	TX	John Rackler	(210) 998-4394
TX-00-026	Cedar Park	TX	Levi Murray III	(512) 990-8988
TX-00-029	Plano	TX	Stephen Hedrick	(214) 341-8220
TX-00-030	Lake Highlands, Dallas	TX	Stephen Hedrick	(214) 341-8220
TX-00-031	610 Loop, Houston	TX	Boothbay Group, Inc. (Timothy Moriarty)	(218) 341-0441
TX-00-032	West University, Houston	TX	Boothbay Group, Inc. (Timothy Moriarty)	(218) 341-0441
TX-00-033	Katy	TX	Javier Rodriguez	(331) 442-2344
TX-00-034	West Oaks, Houston	TX	Javier Rodriguez	(331) 442-2344
TX-00-035	Green Trails	TX	Javier Rodriguez	(331) 442-2344
UT/ID-01-006	Sandy	UT	Hugh Washburn	(630) 783-0542
UT/ID-01-007	South Salt Lake City	UT	Deer Mountain Massage, LLC (Justin Falzone)	(978) 500-9002
VA-00-001	Arlington	VA	RMS Wellness Enterprises LLC (Renee Soulliard)	(202) 290-3195
VA-00-002	McLean	VA	RMS Wellness Enterprises LLC (Renee Soulliard)	(202) 290-3195
VA-00-004	Reston	VA	James Pallotta	(703) 919-0194
VA-00-006	Leesburg	VA	James Pallotta	(703) 919-0194
VA-00-007	Alexandria	VA	Mark Weischedel	(703) 356-1654
VA-00-008	Chantilly	VA	Mark Weischedel	(703) 356-1654
WA/ID-01-007	Cascade Park East	WA	CKE Longevity, LLC (Regina Swartz)	(360) 771-4721
WA/ID-01-008	Longview	WA	CKE Longevity, LLC (Regina Swartz)	(360) 771-4721
WA-00-001	Kirkland	WA	Cascades Therapeutic Massage, LLC (Daniel DiPasquo)	(415) 509-6723
WA-00-002	Redmond	WA	Cascades Therapeutic Massage, LLC (Daniel DiPasquo)	(415) 509-6723
WA-00-004	Renton or Tukwila	WA	Wayne Wilkinson	(949) 300-5250
WA-00-005	Alderwood	WA	Northwest Massage Partners, Inc. (David Brown)	(206) 306-2006
WA-00-006	Woodinville	WA	Northwest Massage Partners, Inc. (David Brown)	(206) 306-2006
WI-00-001	Fitchburg	WI	Sherry Mix	(608) 669-2584
WI-02-003	Sun Prairie	WI	ChoCo, Inc. (Curtis Knox)	(608) 221-3859
WI-02-004	Brookfield	WI	Amita Mirani	(262) 649-3664

EXHIBIT D

**AUDITED FINANCIAL STATEMENTS OF
ELEMENTS THERAPEUTIC MASSAGE, INC.
FOR THE YEARS ENDED 2011, 2012, AND 2013**

Exhibit D



elements
massage™

ELEMENTS THERAPEUTIC MASSAGE, INC.

Consolidated Financial Statements
and
Independent Auditors' Report
December 31, 2013, 2012, and 2011

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ELEMENTS THERAPEUTIC MASSAGE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Elements Therapeutic Massage, Inc.
Highlands Ranch, Colorado

We have audited the accompanying consolidated financial statements of Elements Therapeutic Massage, Inc., which are comprised of the consolidated balance sheets as of December 31, 2013, 2012 and 2011, and the related consolidated statements of operations, changes in stockholder's 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.

AUDITORS' 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 auditors' 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 auditors consider 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, Inc. as of December 31, 2013, 2012 and 2011, 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.

EKS+H LLLP
EKS&H LLLP

February 24, 2014
Denver, Colorado

ELEMENTS THERAPEUTIC MASSAGE, INC.

Consolidated Balance Sheets

	December 31,		
	2013	2012	2011
Assets			
Current assets			
Cash and cash equivalents	\$ 1,203,821	\$ 1,328,999	\$ 1,013,910
Accounts receivable, net	980,329	393,813	253,043
Notes receivable, current	15,750	37,702	28,911
Deferred franchise costs, current	1,423,100	1,577,650	753,257
Other current assets	154,495	99,267	41,742
Total current assets	3,777,495	3,437,431	2,090,863
Non-current assets			
Due from Parent	410,896	9,351	61,212
Property and equipment, net	76,393	32,039	84,022
Notes receivable, less current portion	386,000	10,500	48,202
Deferred franchise costs, less current portion	2,464,750	1,881,600	970,050
Deferred tax asset	1,350,864	1,324,665	1,042,077
Intangible assets, net	516,996	667,344	565,196
Total non-current assets	5,205,899	3,925,499	2,770,759
Total assets	\$ 8,983,394	\$ 7,362,930	\$ 4,861,622
Liabilities and Stockholder's Equity			
Current liabilities			
Accounts payable	\$ 182,679	\$ 3,300	\$ 15,479
Accrued expenses	734,799	398,998	446,000
Deferred revenue, current	2,171,967	2,374,400	1,322,798
Current portion of long-term debt	145,584	123,987	136,109
Total current liabilities	3,235,029	2,900,685	1,920,386
Non-current liabilities			
Deferred revenue, less current portion	4,759,491	3,197,583	2,155,316
Long-term debt, less current portion	17,989	142,753	266,161
Total non-current liabilities	4,777,480	3,340,336	2,421,477
Total liabilities	8,012,509	6,241,021	4,341,863
Commitments and contingencies			
Stockholder's equity			
Common stock, \$0.001 par value, 1,000 shares authorized, issued, and outstanding	1	1	1
Additional paid-in capital	2,474,999	2,474,999	1,374,999
Accumulated deficit	(1,502,854)	(1,353,091)	(855,241)
Accumulated other comprehensive income	(1,261)	-	-
Total stockholder's equity	970,885	1,121,909	519,759
Total liabilities and stockholder's equity	\$ 8,983,394	\$ 7,362,930	\$ 4,861,622

See notes to consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Consolidated Statements of Operations

	For the Years Ended		
	December 31,		
	2013	2012	2011
Revenues			
Royalties	\$ 3,408,759	\$ 2,411,928	\$ 1,887,182
Franchise fees	2,955,025	2,582,234	1,153,333
Marketing and production fund	504,605	72,875	-
Equipment revenue	119,972	100,639	75,547
Other revenues	<u>447,354</u>	<u>288,243</u>	<u>174,760</u>
Total revenues	<u>7,435,715</u>	<u>5,455,919</u>	<u>3,290,822</u>
Expenses			
Franchise related costs	3,224,842	2,494,532	1,299,680
Payroll	553,738	537,395	298,117
Advertising and promotion	373,163	237,684	208,183
General and administrative	798,829	1,109,953	669,852
Depreciation and amortization	190,689	194,409	109,904
Management fee	<u>2,473,000</u>	<u>1,662,384</u>	<u>1,330,062</u>
Total expenses	<u>7,614,261</u>	<u>6,236,357</u>	<u>3,915,798</u>
Net loss from operations	<u>(178,546)</u>	<u>(780,438)</u>	<u>(624,976)</u>
Other income			
Interest income	1,323	-	-
Foreign currency transaction gain	<u>1,261</u>	<u>-</u>	<u>-</u>
Total other income	<u>2,584</u>	<u>-</u>	<u>-</u>
Net loss before taxes	(175,962)	(780,438)	(624,976)
Income tax benefit	<u>26,199</u>	<u>282,588</u>	<u>227,102</u>
Net loss	(149,763)	(497,850)	(397,874)
Other comprehensive loss			
Foreign currency translation adjustment	<u>(1,261)</u>	<u>-</u>	<u>-</u>
Comprehensive loss	<u>\$ (151,024)</u>	<u>\$ (497,850)</u>	<u>\$ (397,874)</u>

See notes to consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

**Consolidated Statement of Changes in Stockholder's Equity
For the Years Ended December 31, 2013, 2012, and 2011**

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance - December 31, 2010	1,000	\$ 1	\$ 1,074,999	\$ -	\$ (457,367)	\$ 617,633
Contributions	-	-	300,000	-	-	300,000
Net loss	-	-	-	-	(397,874)	(397,874)
Balance - December 31, 2011	1,000	1	1,374,999	-	(855,241)	519,759
Contributions	-	-	1,100,000	-	-	1,100,000
Net loss	-	-	-	-	(497,850)	(497,850)
Balance - December 31, 2012	1,000	1	2,474,999	-	(1,353,091)	1,121,909
Net loss	-	-	-	-	(149,763)	(149,763)
Other comprehensive loss - translation adjustment	-	-	-	(1,261)	-	(1,261)
Balance - December 31, 2013	<u>1,000</u>	<u>\$ 1</u>	<u>\$ 2,474,999</u>	<u>\$ (1,261)</u>	<u>\$ (1,502,854)</u>	<u>\$ 970,885</u>

See notes to consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Consolidated Statements of Cash Flows

	For the Years Ended		
	December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net loss	\$ (149,763)	\$ (497,850)	\$ (397,874)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization	190,689	194,409	109,904
Provision for bad debt	15	8,998	15,522
Fair value of contingent consideration	31,386	-	-
Deferred tax provision	(26,199)	(282,588)	(227,101)
Changes in assets and liabilities			
Accounts receivable	(586,531)	(149,768)	(57,142)
Other current assets	(55,228)	(57,525)	(24,766)
Deferred franchise costs	(428,600)	(1,735,943)	(1,327,360)
Accounts payable	179,379	(12,179)	3,089
Accrued expenses	335,801	(47,002)	193,953
Deferred revenue	992,475	2,048,869	1,477,367
	633,187	(32,729)	163,466
Net cash provided by (used in) operating activities	483,424	(530,579)	(234,408)
Cash flows from investing activities			
Purchases of property and equipment	(84,695)	-	(15,133)
Repurchase of Area Director territories	-	(199,574)	-
Issuance of notes receivable	-	-	(25,000)
Payments on notes receivable	13,452	28,911	44,287
Amounts advanced from Fitness Together	-	-	553,113
Net cash (used in) provided by investing activities	(71,243)	(170,663)	557,267
Cash flows from financing activities			
Amounts advanced (to) from WellBiz	(401,545)	51,861	(387,755)
Contributed capital	-	1,100,000	300,000
Payments on long-term debt	(134,553)	(135,530)	(34,963)
Net cash (used in) provided by financing activities	(536,098)	1,016,331	(122,718)
Net (decrease) increase in cash and cash equivalents	(123,917)	315,089	200,141
Cash and cash equivalents - beginning of period	1,328,999	1,013,910	813,769
Effect of exchange rate on cash	(1,261)	-	-
Cash and cash equivalents - end of period	\$ 1,203,821	\$ 1,328,999	\$ 1,013,910

(Continued on the following page)

See notes to consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Consolidated Statements of Cash Flows

(Continued from the previous page)

Supplemental disclosure of non-cash activity:

In 2013, the Company issued \$367,000 in notes receivable for initial franchise fees and initial area director franchise fees.

In 2012, the Company repurchased one area director franchise agreement in exchange for the right to receive franchise agreements for two Elements studios valued at \$45,000. The rights to receive the Elements franchise agreements were reflected as an addition to deferred revenue. In 2011, the Company repurchased three area director franchise agreements in exchange for notes payable of \$362,208, the rights to receive a franchise agreement for two Elements studios valued at \$45,000, the rights to receive a franchise agreement for one Fitness Together studio valued at \$19,500, and the option to buy two studios at a discounted rate valued at \$19,000. The rights to receive the Elements franchise agreements were reflected as an addition to deferred revenue. The rights to receive the Fitness Together franchise agreements were reflected as a reduction to amounts due to Fitness Together.

In 2011, the Company issued \$31,500, of which \$15,750 was received on December 31, 2012, in notes receivable in exchange for initial franchise fees, which were deferred at December 31, 2011. Further, in 2011, the Company terminated three area director franchise agreements in exchange for waiving \$268,400 in outstanding notes receivable, which was reflected as a reduction in deferred revenue.

See notes to consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

Description of Business

Elements Therapeutic Massage, Inc. (“Elements US”) is in the business of franchising massage studios in the United States and abroad. 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 on October 17, 2013 and is primarily engaged in the business of selling franchises to own and operate massage studios in Canada. Elements US and Elements Canada, together, are known as “Elements,” or the “Company.”

From October 17, 2013 (inception) through December 31, 2013, the activities of Elements Canada have consisted of investigating a strategy for franchising the Elements concept. As such, significant revenue from planned principal operations has not yet commenced, and Elements Canada is considered to be in the development stage.

The Company franchises either the right to open a massage studio or the right to develop a territory that is limited in area or number. Each studio franchisee pays the Company an initial franchise fee and royalties equal to a percent of revenues received, per the franchise agreement. 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 for a term of ten years and are renewable after the initial term. Studio franchise agreements are renewable for an additional fee. An Elements massage studio typically consists of five to eight massage rooms, plus a reception area in a retail space providing the massage clients an atmosphere of calm and relaxation.

Upon Elements US’s inception, the rights to the intellectual property associated with two operating studios were acquired. At December 31, 2013, the Company had ten area director agreements, covering twelve states, and had one-hundred sixty-seven open studio franchises. Five and three area director agreements were repurchased during the years ended December 31, 2012 and 2011, respectively.

The Company is a wholly owned subsidiary of WellBiz Brands, Inc. (“WellBiz,” or the “Parent”), formerly named Fitness Together Holdings, Inc., which also owns Fitness Together Franchise Corporation (“Fitness Together”). WellBiz provides funds for operational needs of the Company. The operating results of this company could vary significantly if it operated independently of WellBiz and Fitness Together. Accordingly, this affiliation and other related party disclosures must be taken into consideration in reviewing the accompanying consolidated financial statements.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Description of Business (continued)

The following table summarizes the number of studios in operation:

	December 31,		
	2013	2012	2011
Studios open at beginning of year	122	83	76
Studios opened during the year	49	41	12
Studios closed during the year	<u>(4)</u>	<u>(2)</u>	<u>(5)</u>
Studios in operation as of the end of the year	<u>167</u>	<u>122</u>	<u>83</u>
Studios sold but not yet operational	<u>162</u>	<u>144</u>	<u>75</u>

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Elements US and its wholly owned subsidiary, Elements Canada. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Foreign Currency

The assets and liabilities of the Company's foreign subsidiary are translated from their functional currency, the Canadian dollar, into U.S. dollars at the rates in effect at the consolidated balance sheet date. Revenue and expense transactions are translated into U.S. dollars using the average rate prevailing during the month of the related transaction. The Company records translation gains and losses in accumulated other comprehensive income as a component of stockholder's equity. Foreign currency transaction gains and losses are included in net loss.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Company grants credit in the normal course of business to franchisees related to the collection of royalties and other operating revenues. In select cases, credit is issued for initial franchise fees and area director franchise fees. The Company periodically performs credit analysis 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 receivable from franchisees. The Company considers a reserve for doubtful accounts based on the creditworthiness of the franchisee. 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 has an allowance of \$6,892, \$10,000, and \$15,454 as of December 31, 2013, 2012, and 2011, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from three to five years, and the related lease terms for leasehold improvements.

Intangible Assets

Intangible assets consist primarily of trademarks and reacquired rights resulting from the repurchase of area director agreements.

Reacquired Rights

During 2012 and 2011, the Company entered into certain agreements to repurchase select territories held by area directors. The reacquired area director 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 remaining 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 intangible asset is 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, 2012 and 2011 (Note 4).

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

Trademarks

The Company has determined that its trademarks have an indefinite life; accordingly, these assets are not being amortized, but are subject to impairment.

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, 2013, 2012, and 2011.

Franchise Fee Revenue Recognition and Related Franchise Costs

The Company's revenues consist of fees from franchisees such as initial franchise fees, royalties, renewal fees, transfer fees, and initial area director franchise fees.

Initial franchise fees received from a franchisee are recognized as revenue when the Company has performed substantially all initial services required by the franchise agreement, which is generally upon the opening of a studio. Royalties are based upon a percentage of franchisee sales and recognized when earned. Renewal and transfer fees are recognized when the agreement has been executed. Additionally, the Company recognizes initial area director franchise fee revenues over the life of the area director franchise agreement and only to the extent that cash consideration has been received. These agreements are normally for a term of ten years.

Deferred franchise costs represent certain costs incurred to develop new franchises and are expensed when the related revenue is recognized, generally upon the opening of a studio. Franchise costs will not be deferred in excess of the amount of revenue to be recognized.

Equipment Revenue

During 2011, the Company began a program whereby franchisees order equipment directly from a Company-specified vendor and the Company receives a rebate from the vendor, which is recorded as equipment revenue when earned. Prior to this change, the Company purchased equipment and sold it to the franchisee for a profit. The Company recognized revenue upon the opening of the studio. Shipping and handling charges to customers were included in revenue. Shipping and handling charges incurred by the Company were included in cost of equipment.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Marketing and Production Fund Revenue

The Company began collecting marketing and production fund fees in 2012. Marketing fund monies are used to promote brand awareness 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 fund revenues are recognized up to the amount paid by the fund, for both operating and capital expenditures, not to exceed amounts collected or accrued during the period. Any amounts collected or accrued but unspent at the end of the year are reported as deferred revenue on the accompanying consolidated balance sheets. As of December 31, 2013 and 2012, all collected or accrued fees were spent. During the year ended December 31, 2013 and 2012, the Company recognized \$504,605 and \$72,875 in marketing fund revenues.

Other Revenues

Other revenues consist primarily of technology fees charged to franchisees in accordance with the franchise agreements.

Income Taxes

The Company files a consolidated return with its Parent. Income tax expense or benefit of the Company is paid or received by the Parent and is reflected as due to/from WellBiz on the consolidated balance sheets. The Parent utilizes a method that allocates current and deferred taxes to the Company as if it were a separate taxpayer. 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 consolidated financial statements that will result in taxable or deductible amounts in future years. The Company's temporary differences result primarily from recognition of revenue, amortization of reacquired rights, and net operating loss carryforwards.

The Company accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Company measures the tax benefits recognized in the consolidated financial statements from such a position based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding income tax exposures. Interpretations of and guidance surrounding income tax law and regulations change over time and may result in changes to the Company's subjective assumptions and judgments, which can materially affect amounts recognized on the consolidated balance sheets and statements of operations. The result of the reassessment of the Company's tax positions did not have an impact on the consolidated financial statements. The Company's federal and state tax returns are subject to future examination by tax authorities for all its tax jurisdictions. All previous tax years are open until the utilization of the net operating losses. The Company recognizes interest and penalties related to income tax matters in general and administrative expenses, respectively. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2013, 2012, and 2011.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2013, 2012, and 2011 was \$408,214, \$172,948, and \$104,624, respectively.

Note 2 - Notes Receivable

Notes receivable consist of the following:

	December 31,		
	2013	2012	2011
Notes receivable for initial franchise fees and initial area director franchise fees financed by the Company, ranging from 0% to 6% interest rate, and due upon various specified terms in the agreements.	\$ 401,750	\$ 48,202	\$ 77,113
Less current portion	<u>(15,750)</u>	<u>(37,702)</u>	<u>(28,911)</u>
	<u>\$ 386,000</u>	<u>\$ 10,500</u>	<u>\$ 48,202</u>

The Company has not reflected a discount on its notes receivable issued with 0% interest as it would not be material. The Company reserves an allowance for doubtful collections. 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 historical performance of the notes, which is 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. As of December 31, 2013, 2012, and 2011, management determined that no allowance was necessary. The Company collateralizes the notes with the related franchise agreement.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 3 - Property and Equipment

Property and equipment consist of the following:

	December 31,		
	2013	2012	2011
Office equipment	\$ 17,500	\$ 18,266	\$ 18,266
Software	224,354	151,403	151,403
Leasehold improvements	-	23,000	23,000
Capital projects in process	<u>8,000</u>	<u>-</u>	<u>-</u>
	249,854	192,669	192,669
Less accumulated depreciation and amortization	<u>(173,461)</u>	<u>(160,630)</u>	<u>(108,647)</u>
	<u>\$ 76,393</u>	<u>\$ 32,039</u>	<u>\$ 84,022</u>

Depreciation expense for the years ended December 31, 2013, 2012, and 2011 was \$40,341, \$51,983, and \$61,996, respectively.

Note 4 - Intangible Assets

Intangible assets consist of the following:

	December 31, 2013		
	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Assets
Reacquired Rights	\$ 784,636	\$ (367,640)	\$ 416,996
Trademark	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 884,636</u>	<u>\$ (367,640)</u>	<u>\$ 516,996</u>
	December 31, 2012		
	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Assets
Reacquired Rights	\$ 784,636	\$ (217,292)	\$ 567,344
Trademark	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 884,636</u>	<u>\$ (217,292)</u>	<u>\$ 667,344</u>

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 4 - Intangible Assets (continued)

	December 31, 2011		
	Gross Carrying Amount	Less Accumulated Amortization	Net Intangible Assets
Reacquired Rights	\$ 540,063	\$ (74,867)	\$ 465,196
Trademark	<u>100,000</u>	<u>-</u>	<u>100,000</u>
	<u>\$ 640,063</u>	<u>\$ (74,867)</u>	<u>\$ 565,196</u>

Amortization expense in the amount of \$150,348, \$142,426, and \$47,908 was recognized on the reacquired rights during 2013, 2012, and 2011, respectively. Amortization expense for the next five years is expected to be as follows:

Year Ending December 31,

2014	\$ 136,868
2015	136,868
2016	116,508
2017	22,118
2018	<u>4,634</u>
Total	<u>\$ 416,996</u>

Reacquired Rights

During 2012 and 2011, the Company repurchased five and three territories, respectively, held by area directors under area director franchise agreements. During 2013, the Company did not repurchase any territories. These area director 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 acquisitions considered the trailing 12 months' royalties from the territory as a basis for the anticipated royalty stream over the remaining life of the contract.

Unearned revenue that existed at the date of acquisition for these area director franchise agreements was recognized as revenue.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 5 - Long-Term Debt

Long-term debt consists of the following:

	December 31,		
	2013	2012	2011
Unsecured notes payable due to former area directors. Payments are made monthly consistent with 50% of the royalty revenues received in the area directors' former territories, with the total balance due on or before specified due dates ranging from December 5, 2014 to October 5, 2015.	\$ 163,573	\$ 266,740	\$ 402,270
Less current portion	<u>(145,584)</u>	<u>(123,987)</u>	<u>(136,109)</u>
	<u>\$ 17,989</u>	<u>\$ 142,753</u>	<u>\$ 266,161</u>

Maturities of long-term obligations are estimated as follows:

Year Ending December 31,

2014	\$ 145,584
2015	<u>17,989</u>
Total	<u>\$ 163,573</u>

During 2013, the Company re-valued a note payable due to a former area director, whose note was a contingent consideration at the time of issuance in the amount of \$31,387.

Note 6 - Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and tax basis of assets and liabilities using the enacted tax rates in effect for the year 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.

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 upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the relative impact of negative and positive evidence, including historical losses and projections of future taxable income.

Elements US expects future taxable income and, therefore, believes it will recognize future benefits related to its deferred tax asset.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 6 - Income Taxes (continued)

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. As of December 31, 2013, the Company has recorded a valuation allowance of \$23,000 at Elements Canada.

The net current and long-term deferred tax assets and liabilities in the accompanying consolidated balance sheets include the following:

	December 31,		
	2013	2012	2011
Deferred tax asset - net operating loss	\$ 36,000	\$ 664,000	\$ 615,000
Deferred tax asset - deferred franchise fee	1,242,000	593,000	399,000
Deferred tax asset - reacquired rights	<u>96,000</u>	<u>68,000</u>	<u>28,000</u>
Net deferred tax asset	1,374,000	1,325,000	1,042,000
Less valuation allowance	<u>(23,000)</u>	<u>-</u>	<u>-</u>
Net long-term deferred tax asset	<u>\$ 1,351,000</u>	<u>\$ 1,325,000</u>	<u>\$ 1,042,000</u>

At December 31, 2013, the Company had net operating losses of approximately \$125,000 related to U.S. federal, foreign, and state jurisdictions. Utilization of the net operating loss within the U.S. may be subject to certain limitations under Section 382 of the Internal Revenue Code of 1986, as amended, and other limitations under state and federal tax laws. The net operating losses expire between the years 2029 and 2033.

Components reflected in the consolidated statements of operations are as follows:

	For the Years Ended December 31,		
	2013	2012	2011
Current tax expense	\$ -	\$ -	\$ -
Deferred tax benefit	<u>(26,199)</u>	<u>(282,588)</u>	<u>(227,102)</u>
	<u>\$ (26,199)</u>	<u>\$ (282,588)</u>	<u>\$ (227,102)</u>

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 6 - Income Taxes (continued)

The following is a reconciliation of the statutory federal income tax rate applied to pre-tax accounting net loss compared to the income taxes in the consolidated statements of operations:

	For the Years Ended		
	December 31,		
	2013	2012	2011
Income tax benefit at the statutory rate	\$ (59,827)	\$ (265,349)	\$ (212,492)
Change resulting from			
State and local income taxes, net of federal income tax	(2,330)	(25,028)	(20,623)
Foreign tax	7,385		
Valuation allowance	23,242	-	-
Permanent differences	<u>5,331</u>	<u>7,789</u>	<u>6,013</u>
	<u>\$ (26,199)</u>	<u>\$ (282,588)</u>	<u>\$ (227,102)</u>

Note 7 - Commitments and Contingencies

Litigation

In the normal course of business, the Company is party to litigation from time to time. The Company maintains insurance to cover certain actions and believes that resolution of such litigation will not have a material adverse effect on the Company.

Consulting Agreement

The Company entered into a consulting agreement dated May 16, 2006 for a period of ten years ending in 2016 with the original founder/owner. This agreement stipulates that the former owner will perform certain consulting services for the Company in exchange for compensation based upon franchise units sold and opened for business, including Company-owned or affiliate-owned units opened for business anywhere in the world. During 2011, the agreement was amended to include compensation and reimbursement for additional consulting services and defined a cap for the number of studios the consultant will be compensated for through the term of the agreement. During 2013, the cap was met. Consulting fees for the years ended December 31, 2013, 2012, and 2011 were \$84,000, \$257,500, and \$88,250, respectively.

Debt Guarantee

The Company has guaranteed the debt of WellBiz. The total note payable on the consolidated balance sheets for WellBiz at December 31, 2013 is \$6,140,921.

ELEMENTS THERAPEUTIC MASSAGE, INC.

Notes to Consolidated Financial Statements

Note 8 - Related Party Transactions

The Company is a wholly owned subsidiary of WellBiz, which also owns Fitness Together. Based upon the cash needs of each company and the separately calculated tax liabilities, cash may transfer between the companies. The amounts transferred are recorded as an intercompany asset or liability depending upon the amounts owed to or from related entities. The intercompany balance due from WellBiz as of December 31, 2013, 2012, and 2011 was \$410,896, \$9,351, and \$61,212, respectively.

During the years ended December 31, 2012 and 2011, WellBiz contributed cash of \$1,100,000 and \$300,000, respectively, to the Company. There were no such contributions for the year ended December 31, 2013. The contributions are recorded as such in the consolidated statement of changes in stockholder's equity.

Management Fees

The Company maintains a servicing agreement with WellBiz, whereby WellBiz will provide certain executive, legal, administrative, and marketing services on behalf of the Company. The allocation methodology is based on estimated time and effort spent on the Company, and the resulting costs to the Company are reported as a management fee on the accompanying consolidated statements of operations for the years ended December 31, 2013, 2012, and 2011.

Note 9 - Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available for issuance.

EXHIBIT E
LIST OF STATE AGENTS/AGENTS FOR SERVICE OF PROCESS

Exhibit E

ETM Studio (Unit)
Ex. E – 03/2014 List of State Agents
1075.001.007/75646.1

EXHIBIT E

STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

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

CALIFORNIA

Department of Business Oversight:
1 (866) 275-2677

Los Angeles

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

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street
San Diego, California 92101
(619) 525-4044

San Francisco

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

HAWAII

(agent for service of process)

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

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

ILLINOIS

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

INDIANA

(state administrator)

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

(agent for service of process)

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

MARYLAND

(state administrator)

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

(agent for service of process)

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

MICHIGAN

(state administrator)

Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Building, 1st Floor
525 West Ottawa Street
Lansing, Michigan 48933
(517) 373-7117

(agent for service of process)

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

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-6328

NEW YORK

(state administrator)

New York State Department of Law
Bureau of Investor Protection
and Securities
120 Broadway
New York, New York 10271
(212) 416-8000

(agent for service of process)

Secretary of State of New York
41 State Street
Albany, New York 12231
(518) 474-4752

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol - Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

OREGON

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

RHODE ISLAND

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

SOUTH DAKOTA

Department of Labor and Regulation
Division of Securities
445 East Capitol
Pierre, South Dakota 57501
(605) 773-4823

VIRGINIA

(state administrator)

State Corporation Commission
Division of Securities
and Retail Franchising
1300 East Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

(agent for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9672

WASHINGTON

(state administrator)

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033
(360) 902-8760

(agent for service of process)
Director
Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98501

WISCONSIN

Securities and Franchise Registration
Wisconsin Securities Commission
345 West Washington Avenue, 4th Floor
Madison, Wisconsin 53703
(608) 266-3431

EXHIBIT F

LIST OF AREA DIRECTORS AS OF 12/31/13

Exhibit F

EXHIBIT F

AREA DIRECTORS AS OF DECEMBER 31, 2013

Area	Name	Principal(s)	Business Address				Telephone
AZ	Massage Franchise Group LLC	Pam and Nelson Crespo	16255 N. Scottsdale Road, #C5	Scottsdale	AZ	85254	(480) 998-2120
FL	Backstretch, LLC	Dennis and Louise Casper	6290 W. Sample Road, #102	Coral Springs	FL	33067	(954) 757-2939
FL	Wellness Franchises of South Florida, LLC	Cheryl Badiali	62 Windsor Dr	Englewood	FL	34223	(941) 468-9824
ID	Elements Master, Inc.	Todd Opheim	1047 E. Opus Street	Boise	ID	83716	(208) 703-1046
ID	Hayek Massage Inc.	Joel Hayek	3209 E. 57 th Ave, Suite F	Spokane	WA	99223	(509) 448-9398
KY	MindBodySpirit LLC	Colleen O'Connor	1301 Herr Lane	Louisville	KY	40222	(502) 412-9383
MA	Platinum Franchise, Inc.	Stephen L. Stabile	265 Webster Woods Lane	North Andover	MA	01845	(978) 265-4294
MN	SKK Development LLC	M. Bruce McNeill	10165 Hennepin Town Road, #103	Eden Prairie	MN	55347	(952) 405-6220
NV	Nevada Wellness, Inc.	Cherlyn White	2831 St. Rose Parkway, #206	Henderson	NV	89052	(702) 818-1138
UT	Elements Master, Inc.	Todd Opheim	1047 E. Opus Street	Boise	ID	83716	(208) 703-1046
WA	Hayek Massage Inc.	Joel Hayek	5119 S. Felts Lane	Spokane Valley	WA	99206	(509) 448-9398
WI	ETM Master, LLC	Aimee Matchette	835 E. Bay Point Rd	Bayside	WI	53217	(414) 303-4502

EXHIBIT G
AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

Exhibit G

AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER

Location:

THIS AGREEMENT AND CONDITIONAL CONSENT TO TRANSFER (“Consent”) is made by and among **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation (“Franchisor”); _____ (“Seller”); _____ (“Seller Guarantor”); and _____ (“Buyer”), effective as of the Effective Date. 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 premises, 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. **Purchase Agreement.** 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. **Conditional Consent; Release of Guaranty.** 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 date of this Consent or as 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. **Franchise Agreement.** 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. **Payment of Amounts Due.** Seller will pay all amounts due and owing from Seller (or an affiliate of Seller) to Franchisor through the Closing Date.
- c. **Transfer Fee.** 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. **Fee Deposit.** Upon execution of this Consent by Seller and Buyer, Seller agrees to deposit \$2,500 (“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. **Training.** Buyer and/or Buyer’s designated representative(s) shall satisfactorily complete Initial Training (as defined and described in the Buyer Franchise Agreement) prior to the Closing Date.
- f. **Right to Possession.** Buyer will provide satisfactory evidence to Franchisor that Buyer has the right to possession of the premises for 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 Initial Training, Franchisor will only be obligated to refund fifty percent (50%) of the Transfer Fee.

6. **Assignment/Assumption of Premises Lease**. Seller and Buyer acknowledge that one of the requirements of Franchisor's consent is that the Studio premises lease be assigned to and/or otherwise assumed by the Buyer and that the lease for the Studio premises 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 to them, which they may have against the Franchisor Parties as of the date of this Consent, 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 Franchisor Parties, however characterized or described, including but not limited to, any claims arising from the Seller Franchise Agreement, the Buyer Franchise Agreement, the Purchase Agreement or the transactions described herein.

(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. It is the intention of Seller, Seller Guarantor, and Buyer in executing this Consent 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 Seller, Seller Guarantor, and Buyer. Seller, Seller Guarantor, and Buyer recognize that he, she or it may have some claim, demand or cause of action against Franchisor or the Franchisor Parties of which he, she, or it is totally unaware and unsuspecting, which he, she or it is giving up by executing this Consent. It is the intention of Seller, Seller Guarantor, and Buyer in executing this instrument that it will deprive him, her or it of such claim, demand or cause of action 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 which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her must have materially affected his settlement with the debtor.”

Seller, Seller Guarantor, and Buyer acknowledge and represent that he, she, or it has consulted with legal counsel before executing this Consent and that he, she, or it understands its meaning, including the effect of Section 1542 of the California Civil Code, and expressly consents 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 and causes of action.

(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 brand, the Elements 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 brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of Franchisor, the Franchisor Parties, or the Elements 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and Conditional Consent to Transfer as of the Effective Date.

**FRANCHISOR:
ELEMENTS THERAPEUTIC MASSAGE, INC.**

By: _____
Name: _____
Title: _____
Date*: _____

** This is the Effective Date*

**SELLER:
[SELLER]**

By: _____
Name: _____
Title: _____
Date: _____

Forwarding Address: _____
Forwarding Email: _____
Telephone: _____

**SELLER GUARANTORS:
[SELLER GUARANTORS]**

By: _____
Print Name: _____

By: _____
Print Name: _____

**BUYER:
[BUYER]**

By: _____
Name: _____
Title: _____
Date: _____

EXHIBIT H

FORM OF CONVERSION PROGRAM ADDENDUM TO FRANCHISE AGREEMENT

Exhibit H

**CONVERSION ADDENDUM TO
ELEMENTS THERAPEUTIC MASSAGE, INC.
FRANCHISE AGREEMENT**

THIS ADDENDUM (the “**Addendum**”) is made effective as of _____, 20__ (the “**Effective Date**”) between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation (“**we**,” “**us**” or “**our**”), and _____, a _____ (“**you**” or “**your**”).

RECITALS

- A. WHEREAS, you operate an existing business that is based on a model similar to our Franchise System (the “Existing Business”) located at _____ (the “Studio Location”);
- B. WHEREAS, you desire to convert your Existing Business to an Elements Therapeutic Massage studio (“Studio”) using our Franchise System and the Proprietary Assets in accordance with the terms and conditions of the franchise agreement that you are entering into with us as of even date herewith (the “Franchise Agreement”); and
- C. WHEREAS, you and we have agreed to amend certain terms of the Franchise Agreement as set forth below. Capitalized terms that are used but not defined in this Addendum will have the meanings ascribed to them in the Franchise Agreement.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals and the undertakings and commitments set forth in this Addendum, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

- 1. Grant of Franchise. Section 1.1 of the Franchise Agreement is hereby deleted and restated in its entirety as follows:

Grant of Franchise. We hereby grant to you, and you accept from us, the right to use the Marks and Proprietary Assets to convert your Existing Business into a Studio to be operated at the Studio Location. You agree to use the Marks and Proprietary Assets, and conform to the System Standards, as they are periodically changed, improved and further developed by us and our affiliates, only in accordance with the terms, and subject to the conditions, of this Agreement. You do not have any right to sublicense or sub-franchise your Franchise Agreement or the Studio.

- 2. Territory. Section 2.1 and Exhibit 1 of the Franchise Agreement are hereby deleted in their entirety.

- 3. Site Selection. The second paragraph of Section 2.2 of the Franchise Agreement is hereby deleted in its entirety. The first sentence of Section 2.2 of the Franchise Agreement is hereby deleted and restated in its entirety as follows:

You will operate your Studio from the Studio Location.

4. Initial Franchise Fee. The first sentence of Section 4.1 of the Franchise Agreement is hereby deleted and restated in its entirety as follows:

You must pay to us, at the time you enter into the Franchise Agreement, in the form of a lump sum payment, by cashier's check or wire transfer, the amount of Twenty-Four Thousand Seven Hundred and Fifty Dollars (\$24,750), in payment of one-half the current Initial Franchise Fee and, upon conversion of your Existing Business, you must pay us Twenty-Four Thousand Seven Hundred and Fifty Dollars (\$24,750).

5. Set-Up Fees; Technology Fee. The first three sentences of Section 4.7 of the Franchise Agreement are hereby deleted and restated in their entirety with the following:

You must use the computer hardware and software we designate in the operation of your Studio. Within thirty (30) days after the Effective Date (or such other date we may approve), you will be required to pay us a computer hardware and software set-up fee \$499 and a gift card program set-up fee of \$75, each payable by ACH. You must also pay us a monthly technology fee, which is currently \$250, payable by ACH on the first day of each calendar month, beginning 2 months prior to the Effective Date.

6. Studio Design. Section 5.5 of the Franchise Agreement is hereby amended by adding the phrase "within 180 days after the Effective Date" to the end of the last sentence.

7. Lease Approval. The first sentence of Section 7.2 of the Franchise Agreement is hereby deleted and restated in its entirety with the following:

You must deliver to us a copy of your lease for your Studio Location on or prior to the Effective Date and we must approve or not approve the lease and any amendment to, or renewal or assignment of the lease within 30 days after the Effective Date.

8. Converting Your Franchise. Section 7.3(a) of the Franchise Agreement is hereby deleted and restated in its entirety as follows:

(a) Conversion of Your Existing Business. You must perform the following actions to convert your Existing Business to your Studio:

1. prepare (or cause to be prepared) and submit to us for our approval, a site remodeling plan with any proposed modifications to our conceptual designs and specifications (not including construction) including, but not limited to, modifications to our required dimensions, exterior and interior design, materials, layout, equipment, fixtures, furniture, and signs and décor; provided, however, that modifications are permitted only if required to comply with applicable ordinances, building codes and permit requirements and are subject to our prior written approval;
2. obtain all permits and licenses for the lawful remodeling construction and operation of the Studio (if not previously obtained or maintained), together with all certifications from government authorities having jurisdiction over the Studio Location that all requirements for construction and operations have been met,

including, but not limited to, zoning, access, sign, health, fire, and safety requirements, building and other required construction permits, licenses to do business, fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances;

3. obtain all customary contractors' sworn statements and partial and final lien waivers for remodeling construction, decorating and installation services;
4. purchase or lease equipment, furniture, fixtures and signs as provided under this Agreement or in the Operations Manual, or retain such items from your Existing Business with our prior written approval;
5. complete the construction and remodeling of the Studio Location, including installing equipment, fixtures, furniture and signs, and decorating your Studio, in full and strict compliance with the plans and specifications we have approved, and in accordance with all applicable ordinances, building codes and permit requirements; and
6. remove from the Studio Location and cease using all signs and marks identified with your Existing Business that we have not authorized, change all telephone directory listings to the name of your Studio and otherwise complete all other aspects of the conversion of your Existing Business to your Studio as we may reasonably require.

9. Conversion of Operations. Section 7.3(b) of the Franchise Agreement is hereby deleted and restated in its entirety with the following:

(b) Conversion of Operations. You must convert your Existing Business in accordance with our System Standards and Franchise System and pursuant to Section 7.3(a) of this Agreement within 180 days from the Effective Date ("Projected Opening Date").

10. Insurance. The first sentence of Section 7.4 of the Franchise Agreement is hereby deleted and replaced in its entirety with the following:

Provided you maintain insurance on your Existing Business, within sixty (60) days after the Effective Date, you must purchase insurance coverage from our Approved Supplier; provided, however, you may obtain worker's compensation insurance from your payroll provider or any reputable insurer. If you do not maintain insurance on your Existing Business, then you must take such action within thirty (30) days of the Effective Date.

11. Insurance. The first sentence of the second paragraph of Section 7.4 of the Franchise Agreement is hereby deleted and replaced in its entirety with the following:

Provided you maintain insurance on your Existing Business, within sixty (60) days after the Effective Date, and then annually, you must provide to us a certificate of insurance (including those of each of your employees if required) reflecting the following minimum coverage limits: (a) \$1,000,000 per occurrence (\$2,000,000 in the aggregate) comprehensive general liability; (b) \$60,000.00 business interruption; (c) worker's compensation; (d) property

insurance in amounts that protect your Studio's personal property, fixtures, and improvements; (e) at least \$1,000,000 (\$2,000,000 in the aggregate) per occurrence professional liability coverage due to errors or omissions in the performance of services at your Studio, (f) at least \$100,000 per occurrence (\$300,000 in the aggregate) for sexual abuse and molestation coverage; and (g) at least \$1,000,000 per occurrence hired and non-owned auto insurance. If you do not maintain insurance on your Existing Business, then you must take such action within thirty (30) days of the Effective Date.

12. Initial Marketing Spend Requirement. Section 8.2 of the Franchise Agreement is hereby deleted in its entirety.

13. Gift Cards. Section 8.7 of the Franchise Agreement is hereby amended by adding the following to the end of Section 8.7:

Notwithstanding the foregoing, your Studio may redeem all Gift Cards purchased from your Existing Business; provided that all Gift Card amounts redeemed on or after the Effective Date shall be treated as gross receipts pursuant to Section 4.4 of this Agreement.

14. Default; Termination. Section 10.1(j) of the Franchise Agreement is hereby deleted and restated in its entirety with the following:

(j) Commencement of Operations. If you fail to convert your Existing Business to a Studio pursuant to Section 7.3(a) of this Agreement by the Projected Opening Date;

15. The Recitals of this Addendum are hereby incorporated by reference herein.

16. The terms of this Addendum form an integral part, and are incorporated into and made a part, of the Franchise Agreement. In the event of a conflict between the terms contained in the Franchise Agreement and this Addendum, the terms and conditions of this Addendum shall govern, control, and supersede any inconsistent or conflicting terms of the Franchise Agreement.

17. Except as amended by this Addendum, the terms and conditions of the Franchise Agreement are hereby confirmed, ratified and approved in their entirety, and shall continue in full force and effect, as amended and modified by this Addendum.

18. This Addendum may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. Signature by facsimile is hereby authorized and shall have the same force and effect as an original. References to the Franchise Agreement shall mean the Franchise Agreement as amended and modified by this Addendum.

IN WITNESS WHEREOF, you and we have signed this Addendum effective as of the Effective Date.

FRANCHISOR:

ELEMENTS THERAPEUTIC MASSAGE,
INC.

Signature: _____

Printed Name: _____

Title: _____

FRANCHISEE:

(Name of Individual or Entity)

Signature: _____

Printed Name: _____

Title: _____
(Title of Signor, if applicable)

EXHIBIT I
FORM OF RENEWAL ADDENDUM

Exhibit I

**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 herewith (the “New Agreement”), by and between **ELEMENTS THERAPEUTIC MASSAGE, INC.**, a Delaware corporation (“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 expired on _____ (the “Expiration Date”).

C. The Original Agreement provides that, as of the Expiration Date, you have the option to renew your franchise rights for additional terms of five (5) years each, subject to certain terms and conditions set forth therein.

D. You have notified us that you wish to exercise your option to renew your franchise rights for an additional term of five (5) 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 Agreement.

1. Section 2.2: Site Selection. We have previously approved the Studio Location as required pursuant to Section 2.2. The Studio Location is: _____.

2. Section 3.1: Initial Term. Section 3.1 is deleted in its entirety and replaced with the following:

“The initial term of this Agreement is for a period of five (5) years from the Effective Date, unless sooner terminated pursuant to the terms of this Agreement.”

3. Section 4.1: Initial Franchise Fees. Section 4.1 is deleted in its entirety.

4. Section 4.7: Technology Fee. We acknowledge that you have previously paid the software set-up fee described in Section 4.7.

Exhibit I

5. Section 4.14: Lease Review Fee. We have previously reviewed the lease for the Studio Location as required pursuant to Section 4.14 and therefore waive the requirement for lease review and payment of the Lease Review Fee; provided, however, if the lease terms are amended or you enter into a new lease for the Studio Location during the term of the New Agreement, all lease review requirements (including payment of the Lease Review Fee) set forth in the New Agreement shall be applicable.

6. Section 5.6: On-Going Support and Assistance. You acknowledge and agree that we have complied with our obligation under the Agreement to provide you opening support as set forth in Section 5.6(a).

7. Section 7.2: Lease Approval. We have previously approved the lease for the Studio premises as required pursuant to Section 7.2 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 Studio premises during the term of the Agreement, all lease review and approval requirements set forth in the Agreement shall remain applicable.

8. Section 7.3(a): Build-Out. The Parties acknowledge that the build-out of the Studio, as described in Section 7.3(a), has previously been completed.

9. Section 7.3(b): Commencement of Operations. The Parties acknowledge that the Studio has commenced operations as required pursuant to Section 7.3(b).

10. Section 8.2: Initial Marketing Spend Requirement. Section 8.2 is deleted in its entirety.

11. Section 8.5: Ongoing Marketing Spend Requirement. Section 8.5(b) is deleted in its entirety and replaced with the following:

“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 Ongoing Marketing Spend Requirement.”

12. Renewal Fee. Concurrently with signing the New Agreement and this Addendum, you agree to pay us a renewal fee of \$_____, in the form of a lump sum payment, by cashier’s check or wire transfer. The renewal fee is fully earned by us when paid by you and is not refundable under any circumstance.

13. Studio Upgrades/Renovations. Within sixty (60) days following the Effective Date, you will complete the upgrades and renovations of the Studio, at your expense, as required to improve the condition and appearance of your Studio consistent with our current System Standards and other Franchise System requirements.

14. 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 which the creditor does not know or suspect to exist in his/her favor at the time of executing the release, which if known by him/her must have materially affected his settlement with the debtor.”

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.

15. **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 brand, the Elements 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 brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of us, the Released Parties, or the Elements brand.

16. **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.

(Signature page follows)

IN WITNESS WHEREOF, the Parties have executed and delivered this Addendum on the date first set forth above, to be effective as of the date signed by us set forth in the signature section below.

FRANCHISOR:
ELEMENTS THERAPEUTIC MASSAGE,
INC.

FRANCHISEE:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

*Date: _____

Date: _____

**This is the Effective Date of this Addendum*

**EXHIBIT J
(TO FRANCHISE DISCLOSURE DOCUMENT)**

SAMPLE GENERAL RELEASE

Exhibit J

ELEMENTS THERAPEUTIC MASSAGE, INC.

GRANT OF FRANCHISOR CONSENT AND FRANCHISEE RELEASE

Elements Therapeutic Massage, Inc. (“we,” “us,” or “our”) and the undersigned franchisee or franchisee owner, _____ (“you” or “your”), currently are parties to a certain franchise agreement (the “Franchise Agreement”) dated _____, 20____. You have asked us to take the following action or to agree to the following request: [insert as appropriate for renewal or transfer situation] _____

_____. We have the right under the Franchise Agreement to obtain a general release from you (and, if applicable, your owners) as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you (and, if applicable, your owners) give us the release and covenant not to sue provided below in this document. You (and, if applicable, your owners) are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

Consistent with the previous introduction, you, on your own behalf and on behalf of your successors, heirs, executors, administrators, personal representatives, agents, assigns, partners, shareholders, members, directors, officers, principals, employees, and affiliated entities (collectively, the "Releasing Parties"), hereby forever release and discharge us and our current and former officers, directors, members, shareholders, principals, employees, agents, representatives, affiliated entities, successors, and assigns (collectively, the "Elements Parties") from any and all claims, damages (known and unknown), demands, causes of action, suits, duties, liabilities, and agreements of any nature and kind (collectively, “Claims”) that you and any of the other Releasing Parties now has, ever had, or, but for this document, hereafter would or could have against any of the Elements Parties, including without limitation, Claims (1) arising out of or related to the Elements Parties' obligations under the Franchise Agreement or (2) otherwise arising from or related to your and the other Releasing Parties' relationship, from the beginning of time to the date of your signature below, with any of the Elements Parties. You, on your own behalf and on behalf of the other Releasing Parties, further covenant not to sue any of the Elements Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity who is not bound by this paragraph.

We also are entitled to a release and covenant not to sue from your owners. By his, her, or their separate signatures below, your owners likewise grant to us the release and covenant not to sue provided above.

You, on your own behalf and on behalf of the Releasing Parties, agree not to disparage, impugn or otherwise speak or write negatively, directly or indirectly, of us or the Elements Parties, the Elements brand, the Elements system, or any other service-marked or trademarked concept of us or the Elements Parties, or take any other action which would subject the Elements brand to ridicule, scandal, reproach, scorn, or indignity or which would negatively impact the goodwill of us, the Elements Parties, or the Elements brand.

IF THE STUDIO YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF YOU ARE A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE ELEMENTS PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE ELEMENTS PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM/HER MUST HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR.”

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Studio you operate under the Franchise Agreement is located in Maryland or if you are a resident of Maryland, the following shall apply:

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the date stated below.

Elements Therapeutic Massage, Inc.,
a Delaware corporation

Signature: _____

Name: _____

Title: _____

Dated: _____

FRANCHISEE:

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

Signature: _____

Name: _____

Title: _____

**(IF YOU ARE AN INDIVIDUAL AND NOT
A LEGAL ENTITY):**

Signature

Print Name

Signature

Print Name

OWNER:

Signature

Print Name

Signature

Print Name

EXHIBIT K

TABLE OF CONTENTS TO OPERATIONS MANUAL

OPERATIONS MANUAL TABLE OF CONTENTS

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Chapter 3 – Studio Operations	53-77
Chapter 4 – Employment Guidelines	78-110
Chapter 5 – Marketing	111-131
Chapter 6 – Resources	132
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NEW YORK REPRESENTATIONS PAGE

WE REPRESENT THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

EXHIBIT L

RECEIPTS

Exhibit L

**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, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or 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. Under New York and Rhode Island law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Elements Therapeutic Massage, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Elements Therapeutic Massage, Inc., 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129, (877) 663-0880. The franchise seller for this offering is:

<input type="checkbox"/> _____ Elements Therapeutic Massage, Inc. 9092 South Ridgeline Boulevard Suite A Highlands Ranch, CO 80129 (877) 663-0880	<input type="checkbox"/> Scott Wendrych Elements Therapeutic Massage, Inc. 9092 South Ridgeline Boulevard Suite A Highlands Ranch, CO 80129 (877) 663-0880	<input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ _____
--	---	---

Issuance Date: March 28, 2014.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 28, 2014 that included the following Exhibits:

- | | |
|---|--|
| Exhibit A - State Addenda | Exhibit F - List of Area Directors |
| Exhibit B - Franchise Agreement | Exhibit G - Agreement and Conditional Consent to Transfer |
| Exhibit C1 - List of Franchisees | Exhibit H - Form of Conversion Program Addendum to Franchise Agreement |
| Exhibit C2 - Franchisees Who Left the System | Exhibit I - Form of Renewal Addendum |
| Exhibit C3 - Franchises Sold But Not Yet Opened | Exhibit J - Form of General Release |
| Exhibit D - Financial Statements | Exhibit K - Table of Contents of Operations Manual |
| Exhibit E - State Agencies for Service of Process | Exhibit L - Receipts |

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, Inc., 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129, 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, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or 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. Under New York and Rhode Island law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Elements Therapeutic Massage, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Elements Therapeutic Massage, Inc., 9092 South Ridgeline Boulevard, Suite A, Highlands Ranch, Colorado 80129, (877) 663-0880. The franchise seller for this offering is:

- | | | |
|--|---|---|
| <input type="checkbox"/> _____
Elements Therapeutic Massage, Inc.
9092 South Ridgeline Boulevard
Suite A
Highlands Ranch, CO 80129
(877) 663-0880 | <input type="checkbox"/> Scott Wendrych
Elements Therapeutic Massage, Inc.
9092 South Ridgeline Boulevard
Suite A
Highlands Ranch, CO 80129
(877) 663-0880 | <input type="checkbox"/> Name of Franchised Seller:

Principal Business Address:

_____ |
|--|---|---|

Issuance Date: March 28, 2014.

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PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Signature: _____

Title: _____

Print Name: _____

Dated: _____

(Do not leave blank)

If an individual:

Print Name: _____

Dated: _____

(Do not leave blank)

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.