

## FRANCHISE DISCLOSURE DOCUMENT

<p>Massage Green International Franchise Corp. a Michigan corporation 29657 Orchard Lake Road Farmington Hills, Michigan 48334 Phone: (248) 538-1000 Facsimile: (951) 776-2187 <b>Email: <a href="mailto:allie@massagegreen.com">allie@massagegreen.com</a></b> <b>Website: <a href="http://www.massagegreenspa.com">www.massagegreenspa.com</a></b></p>	 <p><i>Massage</i>  <i>Green</i> SPA</p>
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This Franchise Disclosure Document describes a **MASSAGE GREEN**<sup>®</sup> single unit franchise and an area development franchise. The single unit franchise (“Massage Green Store” or “Franchised Store”) features on-premises massage therapy, on-premises lifestyle education classes, and take-out sales of environmentally conscious health and beauty items and other merchandise. The area development franchise will operate at least one single unit franchise and must sell and service single unit franchises in a specified territory.

The total investment necessary to begin operation of a **MASSAGE GREEN**<sup>®</sup> single unit franchise ranges from \$98,500 to \$172,000. This includes \$45,000 that must be paid to the franchisor or affiliates. The total investment necessary to begin operation of a **MASSAGE GREEN**<sup>®</sup> area development franchise ranges from \$191,000 to \$572,000. This includes \$115,000 to \$395,000 that must be paid to the franchisor or 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 agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Mr. Allie Mallad at 29657 Orchard Lake Road, Farmington Hills, MI 48334 and [allie@massagegreen.com](mailto:allie@massagegreen.com).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as *"A Consumer's Guide to Buying a Franchise,"* which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-800-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](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: May 20, 2013

## 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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit D 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 AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN SOUTHFIELD, MICHIGAN. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE THAT MICHIGAN LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THE LAWS.
3. MESSAGE GREEN HAS A SHORT OPERATING HISTORY AND SHOULD BE CONSIDERED A STARTUP.
4. FRANCHISEE OR AREA DEVELOPER IS REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$98,500 TO \$572,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2012, WHICH IS \$122,858.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates.

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration. California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, if an effective date is noted below for the state:

<b><u>STATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	April 9, 2013
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this Franchise Disclosure Document is the issuance date noted on the cover page.

The states listed above may require specific disclosures and revisions to the Franchise Agreement. Those disclosures and revisions, if required, are contained in Exhibit J to this Disclosure Document.

## MICHIGAN DISCLOSURE STATEMENT

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these 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 this 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 prior to 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 five (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 six (6) months' advance notice of the franchisor's intent not to renew the franchise.
- e) A provision that permits the franchisor to refuse to renew a franchise on 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 such 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.**

\* \* \*

**If Franchisor's most recent unaudited financial statement shows a net worth of less than One Hundred Thousand (\$100,000) Dollars, you have the right to request the escrow of the initial investment and other funds paid until obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled.**

\* \* \*

**Any questions regarding this document should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn. Franchise Section, 525 W. Ottawa Street, Williams Building, 6<sup>th</sup> Floor, Lansing, MI 48933, 517/373-7117.**

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**EXHIBITS:**

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

**Franchisor**

To simplify the language in this Disclosure Document, “Massage Green”, “us”, or “we” means the franchisor, Massage Green International Franchise Corp., and “you” means the franchisee. In order to distinguish between disclosure applicable to single unit franchises and area development franchises, the person who buys an area development franchise will sometimes be referred to as “area developer.” If the prospective franchisee or area developer is a corporation, partnership, limited liability company or other entity, “you” or “area developer” will mean the entity and the owners of the entity.

The franchisor is Massage Green International Franchise Corp. (“Massage Green”), a Michigan corporation. Massage Green was incorporated in the state of Michigan on July 29, 2008. Its principal address is 29657 Orchard Lake Road, Farmington Hills, MI 48334. We do business under our company name and the “**MASSAGE GREEN**®” name. Massage Green’s agents for service of process are listed on Exhibit D.

**Parents, Predecessors and Affiliates**

Massage Green has a parent company, Massage Green Holding, Inc. (“Massage Holding”), which was incorporated in the State of Michigan on July 29, 2008 and its principal address is 29657 Orchard Lake Road, Farmington Hills, MI 48334.

Massage Green has a number of affiliates. Our affiliate, Massage Green Distributing Inc. (“Massage Distributing”), may in the future supply items to our franchisees (see Item 8). Our affiliate, MG Construction Pros, LLC (“MG Construction”), may provide general contractor services to our franchisees (See Item 8). The principal business address for our affiliates is 29657 Orchard Lake Road, Farmington Hills, MI 48334. We also have a number of affiliates that operate **MASSAGE GREEN**® Stores (See Item 20). Other than Massage Distributing and MG Construction, we do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

Massage Green does not have any predecessors.

**Franchisor's Business**

We offer and sell **MASSAGE GREEN**® single unit, multi-unit and area development franchises. We do not currently operate any massage therapy outlets of the type being franchised. Massage Green currently has no other business activities.

**The **MASSAGE GREEN**® Single Unit Franchise**

The **MASSAGE GREEN**® single unit franchise (sometimes referred to as a “**MASSAGE GREEN**® Store” or “Franchised Store”) offers on-premises massage therapy, on-premises lifestyle education classes, and environmentally conscious health and beauty take out items and products and other products and services we may authorize or direct our franchisees to offer (the products and services authorized and directed for sale at a Franchised Store, which we may



modify periodically in our discretion, are referred to as the “Massage Green Products”). Franchised Stores operate at locations that feature a massage therapy service format and trade dress and use trademarks that we own or are licensed to use, including the trademarks “**MASSAGE GREEN**®”, and any other trademarks that we may periodically adopt in our discretion (collectively, the “Proprietary Marks”). Franchised Stores use our formats, specifications, employee selection and training programs, signs, equipment, layouts, systems, products, business methods, procedures, designs and marketing, and advertising standards and formats, all of which we may modify periodically in our discretion (the “System”).

We offer franchises for the Franchised Stores under the form of Franchise Agreement attached as Exhibit A (“Franchise Agreement”). You must sign our Franchise Agreement and operate your **MASSAGE GREEN**® Store according to our standards and specifications. The initial term of a Franchise Agreement is ten years. You may renew your Franchise Agreement for one additional ten year term, subject to the conditions referenced in ITEM 17. You are responsible for obtaining all necessary permits, licenses and approvals to operate your **MASSAGE GREEN**® Store. Each Massage Green Franchise Agreement covers one **MASSAGE GREEN**® Store location.

Each Franchised Store operates in accordance with our System. The distinguishing characteristics of the System include: (i) the Proprietary Marks; (ii) approved exterior and interior design, layout, and color scheme; (iii) signage, decorations, furnishings and materials; (iv) methods, procedures and formulations for certain of the Massage Green Products, (v) the Confidential Operations Manual (the “Manual”); (vi) the Massage Green Products; (vii) operating procedures for sanitation and maintenance; and (viii) methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising. We may periodically change or otherwise modify the System in our discretion.

### **THE MASSAGE GREEN® Multi-Unit Addendum**

If you desire to operate three Franchised Stores and to obtain a discount in the initial franchise fees you will pay, we may enter into a Multi-Unit Addendum to Franchise Agreements with you in the form attached as Exhibit B (“Multi-Unit Addendum”). At the same time as you enter into the Multi-Unit Addendum, you will sign three separate Franchise Agreements with us—one for each of the Franchised Stores you will develop. The Multi-Unit Addendum supersedes the Franchise Agreements provisions relating to initial franchise fees (see Item 5) and the required opening dates of each of the Franchised Stores you will develop (see Items 9 and 11), otherwise your relationship with us will be controlled by the Franchise Agreements you sign.

The opening dates of the Franchised Stores you must open under the Multi-Unit Addendum will be negotiated and specified in the Multi-Unit Addendum. If you fail to open any of the Franchised Stores by the required opening date or if you give written notice to us that you are ceasing development of further Franchised Stores: (a) the Multi-Unit Addendum will automatically terminate; (b) the Franchise Agreements for any of the Franchised Stores you have not opened may, in our discretion, be terminated under and subject to the terms of those Franchise Agreements; (c) no fees will be refunded; and (d) the Franchise Agreements for the Franchised Stores you have opened and any other Franchise Agreements we have not terminated will continue in effect in accordance with their terms.

## **Area Development Agreement**

At our discretion, we may offer to qualified candidates an Area Development Agreement in the form attached as Exhibit C (“ADA”). Under the ADA, an area developer obtains the right to develop multiple Franchised Stores (including solicitation of other franchisees or operation of your own Franchised Stores) and provide services to those Franchised Stores, within a specified geographic territory (the “Development Territory”). You will be obligated to develop a specified number of Franchised Stores in a specified time frame (“Development Schedule”). If you do not meet your Development Schedule we may impose certain monthly penalties on you or terminate your ADA. You, your affiliates or other franchisees may operate the Franchise Stores you are obligated to develop; however, you must own and operate at least one Franchised Store in the Development Territory beginning no later than six months from the effective date of the ADA and continuing through the remaining term of the ADA. You must not begin offering or selling Franchised Stores to others in your Territory until you have opened your Franchised Store, unless we agree otherwise in writing.

As you develop each Franchised Store (either through your own Franchised Stores or by soliciting other franchisees), you must submit the store location and target area to us for our approval and information about the proposed franchisee for our approval. If the proposed Franchised Store location is approved, we will enter into a Franchise Agreement for that Franchised Store with you or the proposed franchisee. You will receive 50% of the initial franchise fees actually paid for Franchised Stores developed in your Development Territory. You will also, if you fully perform under the ADA, be entitled to 40% of the royalty fees we actually collect from the franchisees in your Development Territory, unless specifically excluded in the ADA. We may withhold certain amounts from these payments. See Section 5 of the ADA.

## **Market and Competition**

The Franchised Store targets its services to the general public. It will compete with other local businesses, as well as local, regional, and national massage therapy chains and independent stores. Based on generally available information, we believe the massage therapy market is developing, and that the market for health and beauty products that we will sell from the Franchised Stores is well-established. However, we believe that the particular market for environmentally conscious products is developing.

The market in which an area developer will compete—the sale of unit franchises—is well developed and highly competitive.

## **Industry Regulations**

Several states, and many municipalities within them, have laws and regulations governing the location and operation of stores where massage services may be obtained. These may include health and safety regulations, signage, employment regulations, and product handling regulations. The laws in your state or municipality may be more or less stringent. You should examine these laws before purchasing a Franchised Store from us.

Area developers must be aware of the Federal Trade Commission Franchise Rule regulating the offer and sale of franchises and state laws regulating the offer and sale of franchises and franchise relationships. If the area developer's territory is in the states of New York or Washington, the area developer may have to register as a franchise broker under the laws of those states.

There may be other specific laws or regulations in your state or municipality regarding the operation of your business.

### **Prior Business Experience**

We began offering **MASSAGE GREEN**<sup>®</sup> franchises in January 2009, and have not offered franchises in any other line of business. We have affiliates that have operated **MASSAGE GREEN**<sup>®</sup> Stores since November 2008. Those Stores are considered Company-Owned Stores for purposes of this Disclosure Document. See Item 20. Our former affiliate Gelato di Roma Holding, Inc., through its subsidiary, offered and sold franchises in the ice cream and restaurant business from 2003 to 2008. Other than Gelato di Roma Holding, Inc., we do not have any affiliates that have offered franchises in any other line of business.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer – Allie T. Mallad.**

Mr. Mallad has been our President and Chief Executive Officer since our inception in July, 2008. Mr. Mallad has been President of Massage Green Distributing since its inception in July 2008. Mr. Mallad has been the Manager of MG Construction since its inception in May 2012. Mr. Mallad is also the Member or Manager of a number of affiliated entities that operate Massage Green Stores. Mr. Mallad was the Chief Executive Officer of Gelato di Roma International Inc. in Taylor, Michigan from November 2002 to July 2008 and of Gelato di Roma Holding, Inc. and Gelato di Roma Distributing in Taylor, Michigan from July 2003 to July 2008.

### **Chief Operating Officer – Ali B. Harb**

Mr. Harb has been our Chief Operating Officer since July 2012. Since 1998, Mr. Harb has been Vice President of Harb Group in Riverside, California, which is involved in service and retail businesses.

### **Executive Vice President Global Franchise Development – Scott K. Adams**

Mr. Adams has been our Executive Vice President Global Franchise Development since April 29, 2013. Mr. Adams has been a 50% principal owner of multiple Denver Colorado based restaurant development companies, including: since July 2012, Moovers & Shakers, LLC, a Development Agent of Mooyah Burgers; since November 2012, Wok On, LLC, a Master Franchise of Wok Box; since September 2009, Pinkberry Colorado, a multi-unit franchisee of Pinkberry; and from September 1998 - June 2012, Continental Development Group, LLC, an Area Director of Quiznos Subs based in Detroit Michigan. Mr. Adams was also the President of

Denver based Dazbog Coffee Franchising from May 2007 - March 2009, and held the role of Franchise Sales Manager for Denver based HuHot Mongolian Grills from February 2012 - July 2012. Mr. Adams was Executive VP of Global Development for the Denver based Quiznos Corporation from October 1992 - October 1999.

### **Executive Vice President of National Operations – Michael Blum**

Mr. Blum was been our Executive Vice President of National Operations since April 2013. From September 2012 to April 2013, Mr. Blum was our National Director of Operations. From July 2012 to September 2012, Mr. Blum was out Director of Operations. From June 2012 to July 2012, Mr. Blum was our Market Director for Michigan. From May 2010 to May 2012, Mr. Blum was District Operations Manager for Aramark in Wixom, Michigan. From August 2008 to May 2010, Mr. Blum was a Sales Representative for Aramark in Wixom, Michigan.

### **National Director of Marketing – Kimberly Harte**

Ms. Harte has been our National Director of Marketing since February 2013. From January 2013 to February 2013, Mr. Harte was National Ad Director for USA Today/PowerPlay Marketing in Bingham Farms, Michigan. From June 2009 to March 2011, Mr. Harte was a Sales Executive for AT&T Advertising Solutions in Southfield, Michigan. From September 2006 to March 2009, Ms. Harte was a Sales Executive with Valassis, Inc. in Livonia, Michigan. From March 1999 to September 2006, Ms. Harte was Director of Operations and Marketing for Dolly's Pizza Franchising, Inc. in White Lake, Michigan. From January 1992 to June 1997, Ms. Harte was a Domino's Pizza franchise owner in Rochester, Michigan and the Vice President of the Detroit Regional Advertising Cooperative.

### **Director of Massage Therapy – Artema Byrd**

Ms. Byrd has been our Director of Massage Therapy since September 2012. From October 2010 to September 2012, Ms. Byrd was a therapist in a Massage Green Spa in Birmingham, Michigan. From August 2010 to October 2010, Ms. Byrd was a massage therapist for Strong Hands for Strong Bodies in Detroit, Michigan. From March 2008 to October 2008, Ms. Byrd was a customer service representative for Marketing Associates in Detroit, Michigan. From June 2002 to October 2008, Ms. Byrd was a nail technician for salons in Detroit Michigan.

### **District Operations Manager – Courtney Redmer**

Ms. Redmer has been a District Operations Manager for us since October 2012. Ms. Redmer started with Massage Green in February 2012 as a Sales Associate in Rochester, Michigan. From June 2011 to January 2012, Ms. Redmer was a sales associate for Massage Envy in Rochester, Michigan. From November 2010 to June 2011, Ms. Redmer has a cashier and customer service representative for Papa Joes in Rochester, Michigan. From June 2010 to November 2010, Ms. Redmer was a sales associate for Black House White Market in Rochester, Michigan. From November 2009 to January 2010, Ms. Redmer was a sales/customer service representative for Victoria's Secret in New York, New York. From 2008 to 2010, Ms. Redmer attended LIM College in New York, New York.

**District Operations Manager – Brittany McIntosh**

Ms. McIntosh has been a District Operations Manager for us since February 2013. From October 2012 to February 2013, Ms. McIntosh was Store Manager for a Massage Green Spa in Novi, Michigan. From 2011 to 2013, Ms. McIntosh was the Vice President of Operations for LUV Manicures and Pedicures and from October 2010 to February 2011 she was Store Manager for LUV Manicures and Pedicures in Livonia Michigan. From 2007 to 2009, Ms. McIntosh was Store Manager for Illumination Tanning in Plymouth, Michigan.

**District Operations Manager – Lishell Toney**

Ms. Toney has been a District Operations Manager for us since December 2012. Ms. Toney started with Massage Green as a massage therapist in September 2011 and has also been in management for Massage Green Spas in Southern California. From December 2006 to May 2011, Ms. Toney was lead massage therapist for Serenity Day Spa and Salon in Riverside, California.

**Human Resource Director – Erica Gladding**

Ms. Gladding has been our Human Resource Director since January 2013 and is located in the Los Angeles, California area. From March 2009 to November 2012, Ms. Gladding was Client Services Representative/Human Resources for Benepay in Byron Center, Michigan. From December 2005 to December 2008 Ms. Gladding was the Human Resources Generalist for Gill Industries in Grand Rapids, Michigan.

**Executive Assistant – Tina Enriquez**

Ms. Enriquez has been an Executive Assistant for us since December 2011. From May 2008 to December 2011, Ms. Enriquez was an executive assistant for Gelato di Roma International Inc. in Taylor, Michigan.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

On January 17, 2011, our Director of Marketing, Kimberly Harte, filed as a debtor a petition under Chapter 13 of the U.S. Bankruptcy Code in the Eastern District of Michigan, Case No. 11-41079-tjt. The case was converted to a case under Chapter 7 of the Bankruptcy Code on March 1, 2011. On June 20, 2011, the bankruptcy court entered a discharge. On June 20, 2011, the case was terminated. Other than this action, no bankruptcies are required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

**FRANCHISE AGREEMENT**

You must pay us an Initial Franchise Fee of \$45,000 (“Initial Franchise Fee”). The fee is payable in a lump sum at the time you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable and deemed earned on payment.

If we enter into a Multi-Unit Addendum with you, instead of paying a \$45,000 Initial Franchise Fee for each of the three Franchised Stores you agree to develop, you will pay total Initial Franchise Fees of \$90,000 for all three Franchised Stores. At the time you sign the Multi-Unit Addendum, you will also sign three Franchise Agreements—one for each of the Franchised Stores you agree to develop. You will pay the \$90,000 for the Initial Franchise Fees in a lump sum at the time of signing the Multi-Unit Addendum and Franchise Agreements. These fees are earned on payment and are not refundable.

Except as described above, it is our intent to charge all new franchisees the same initial franchise fee.

**AREA DEVELOPMENT AGREEMENT**

If you sign an ADA, you must pay us a purchase price for your rights in the Development Territory, which, under our current policies for the first 10 ADA’s, will equal \$.07 per person in the Territory. Examples of the purchase price based on specific Territory populations are provided in the following table:

<b>Population of Territory</b>	<b>ADA Purchase Price</b>
1 million	\$70,000
2 million	\$140,000
3.5 million	\$245,000
5 million	\$350,000

(“Area Development Fee”). The Area Development Fee will be paid in a lump sum at the time of signing the ADA unless we agree otherwise in writing. The Area Development Fee is earned on payment and is non-refundable.

Area developers must develop and operate at least one Franchised Store. You will pay us the full Initial Franchise Fee (or the discounted Initial Franchise Fees payable under a Multi-Unit Addendum, if area developer enters into a Multi-Unit Addendum with us) for each Franchised Store opened by you under the ADA. Those fees are payable as described above and are not refundable.

As area developer, you will receive 50% of the initial franchise fees paid to us by franchisees in your Development Territory for franchises opened or operated under a Franchise Agreement (including franchises opened by area developer) entered into after area developer

completes the initial training program and commences full performance of the area developer's services. Area developer's portion of the initial franchise fees will be paid when the Franchised Store opens in full compliance with the Franchise Agreement and our standards. If a franchisee purchases multiple franchises under a Multi-Unit Addendum, you will be paid a proportionate amount of the total initial franchise fees paid by the franchisee as each Franchised Store opens. For example, if a franchisee purchases three franchises under a Multi-Unit Addendum and pays a total of \$90,000 in initial franchise fees, you will receive \$15,000 as each of the three Franchised Stores opens (50% of one-third of the \$90,000). If a franchise is sold and the franchisee fails to open the Franchised Store within the time permitted, you will not be entitled to receive any portion of the initial franchise fee for that franchise. We may withhold certain amounts from these payments. See Section 5 of the ADA.

**ITEM 6  
OTHER FEES**

**FRANCHISE AGREEMENT**

<b>Type Of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of Gross Sales.	Weekly via electronic funds transfer (EFT) each Monday based on Gross Sales for the previous calendar week. <sup>(1)</sup>	Gross Sales include all revenues from the franchise business except sales taxes paid and refunds. <sup>(2)</sup>
National Advertising Fund Fee	2-5% of Gross Sales if we establish a National Advertising Fund. <sup>(2)(3)</sup>	Weekly via EFT each Monday based on Gross Sales for the previous calendar week. <sup>(1)</sup>	We may impose a National Advertising Fund Fee of up to 5% of Gross Sales. <sup>(3)</sup>
Local Advertising or Cooperative Advertising Fees	\$6,000 during grand opening; then the greater of 5% of monthly Gross Sales or \$3,000.00 <sup>(2)(4)</sup>	To be spent each month.	This requirement is in addition to any National Advertising Fund fees. These amounts will be paid as specified by the advertising vendor or the Local Advertising Cooperative. If there is a Local Advertising Cooperative, the Cooperative Advertising fees may be collected by us by EFT
Late Fees and Interest	\$100.00 for each late payment, plus the highest applicable legal rate for open account business credit not to exceed 1.5% per month.	On receipt of our invoice.	\$100.00 is due in full and interest starts accruing after the date they are due. These charges must be paid on all overdue amounts.

<b>Type Of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Insufficient Funds Charges	\$45.00 or, if greater, actual bank charges.	On receipt of our invoice.	You must pay this charge each time you have insufficient funds in your account to pay any fees or amounts owed to us or our affiliates.
Annual Convention Fee <sup>(5)</sup>	\$199 each year	Within 30 days of receipt of invoice from us.	You must pay this fee whether or not you attend the convention. <sup>(5)</sup>
Transfer Fee <sup>(6)</sup>	\$10,000.00	At least 30 days before the date of the proposed transfer.	This fee must be paid if you transfer your franchise or a controlling interest in the franchise to a franchisee approved by us.
Relocation Fee	\$5,000.00 if you relocate within one mile of existing Franchised Location; \$10,000 if you relocate more than one mile from existing Franchised Location.	On receipt of our invoice.	You must pay this fee if you request approval for the relocation of your Franchised Location.
Renewal Fee	One-half of the Initial Franchise Fee being charged at the time of the renewal	At least 90 days before expiration of the Initial Term.	You must pay this fee if you renew your franchise at the end of the initial term of the franchise.
Audit <sup>(7)</sup>	Will vary under circumstances. We estimate the range of costs is \$1,500 to \$2,500	As incurred.	You must pay the cost of our audit if the audit discloses an understatement of 3% or more.
Remodeling and Upgrading	Approximately \$15,000.00	As incurred.	You need not spend more than \$15,000.00 for renovation, refurbishment or remodeling each 5 years. This does not limit the amount that you must spend for maintenance and repair of property, fixtures and equipment.
Non-Submission Fee	\$100.00	After the date when the reports are due and for each week these reports are not timely filed.	You must pay this fee if you fail to submit a report you must submit.
Fees to Evaluate and Approve Alternative Suppliers of Products, Equipment or Services <sup>(8)</sup>	\$1,000.00	As incurred.	You must pay this fee if you request that we approve a supplier.



<b>Type Of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Indemnification	Will vary under circumstances.	As incurred.	You must reimburse us for and defend us against claims against us and taxes imposed on us due to your activities related to the Franchise Agreement.
Cleaning and Repair	Will vary under circumstances. We estimate routine repairs will total \$1,500 per year and cleaning supplies will total \$500 to \$1,000 per year.	As incurred.	These amounts are payable to us only if you do not maintain the condition and appearance of your Franchised Store and we, at our sole discretion, arrange to do so.
On-Site Training Expenses <sup>(9)</sup>	\$900 to \$1500.	On receipt of our invoice.	You must pay these expenses if your Franchised Store is not ready to open when our trainer or trainers arrive to begin your on-site training.
Promotions <sup>(10)</sup>	Will vary under circumstances.	As incurred.	You must participate in promotional programs directed or approved by us and you must pay the cost of participation.
Additional Initial Training	\$1,000.00 per week, plus travel and living expenses.	On receipt of our invoice.	If you do not employ a person who has completed our initial training program, you must send a successor for training. <sup>(11)</sup>
Software maintenance and support for POS System	We estimate this will total \$1,200 to \$1,500 per year.	Each year, on or before the anniversary date of the software license agreement and date of hardware purchase.	You must pay for maintenance and support of your POS system.
Fee for Not Being Open During Normal Business Hours	\$1,000.00 per day	On receipt of our invoice.	We may impose this fee on you for each day your business is not opened fully during the normal business hours we specify.
Mystery Shopper Fee	\$125 per month	10 <sup>th</sup> day of each month.	We will use these fees to administer a program to evaluate and report on the operations of our franchisees and to otherwise support the uniformity and quality of operations of Franchised Stores.
Fee for Not Having a Trained Manager	\$1,000 per week	On receipt of our invoice.	We may charge this fee if you cease to have a trained Manager and do not have a successor Manager attend the next available initial training program. <sup>(12)</sup>

**Notes:**

(1) Except as noted, all fees are imposed by and payable to us and are non-refundable. You must pay fees and other amounts due to us or our affiliates via electronic funds

transfer (EFT) or other similar means, as specified by us. Under our procedures you must authorize us to initiate debit entries and/or credit correction entries to your accounts for payments of fees and other amounts payable to us and any interest due. If you have not timely reported the Franchised Store's Gross Sales to us for any reporting period, then we will be authorized to debit your account in an amount equal to: (a) the fees transferred from your account for the last reporting period for which a report of the Franchised Store's Gross Sales was provided to us; or (b) the amount due based on information retrieved from your POS System. If the funds in your account are insufficient to pay the Royalty Fees, advertising fees and other amounts due to us or our affiliates, you may need to pay these fees by means other than automatic EFT.

If you fail to pay or transfer the Royalty Fee by the due date two times during the Term, in addition to all other remedies which may be available, we reserve the right to require, in our sole discretion, that you pay the Royalty Fee more frequently than on a weekly basis.

(2) The Franchise Agreement defines "Gross Sales", as meaning, and including, the gross revenue from all sales of Massage Green therapy and all other products and services sold or performed by or for you or the Franchised Store in, at, from, or away from the Franchised Store, or through or by means of the business conducted pursuant to the Franchise Agreement, whether for cash or credit, including any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent any claim is paid by the insurer, but does not include: (a) all sales or service taxes collected from customers and paid or payable to the appropriate taxing authority; and (b) all customer refunds, valid discounts and coupons, and credits made by the Franchised Store (these exclusions will not include any reductions for credit card user fees, returned checks or reserves for bad debts or doubtful accounts). Gross Sales also includes any rebates or payments from vendors and the fair market value of any services or products received by you in barter or exchange for your services and products and all insurance proceeds received by you for loss of business due to a casualty or similar event at the Franchised Location.

(3) If we establish a National Advertising Fund, the initial weekly National Advertising Fund fee will be 2% of Gross Sales for the preceding calendar week. We may increase the weekly National Advertising Fee to up to a total of 5% of the Gross Sales for the preceding calendar week.

(4) For the period beginning on the opening of your Franchise Store and ending at the end of your first full month of operation, your Local Advertising Expense must be at a level for the grand opening of the Store which is a minimum of \$6,000. Beginning with the start of the second month of the your operation and continuing for the remainder of the term of the Franchise Agreement, the Local Advertising Expense will be the greater of 5% of monthly Gross Sales or \$3,000.00 each month. Amounts spent monthly through the Local Advertising Cooperative will be deemed part of your Local Advertising Expense. Each Franchised Store in any Local Advertising Cooperative, including franchisor-owned outlets, has one vote, and a majority vote of affected members determines the cooperative advertising. The minimum and maximum of the advertising will be determined by cooperative agreement of all members in the Local Advertising Cooperative. That agreement must be approved by us.

(5) You must pay an annual convention fee, whether or not you attend the annual convention, unless we do not schedule a convention for the applicable year. If you fail to attend

the annual convention for two consecutive years, your Franchise Agreement is subject to termination.

(6) The Transfer Fee is payable by you or the proposed transferee. You may only transfer if you satisfy certain conditions and with our written consent. See ITEM 17.

(7) In addition to any additional fees found due as a result of an audit of your financial records, you must pay us our audit fees if you have understated Gross Sales by more than 3% of the actual Gross Sales found by the audit.

(8) You must buy goods and obtain services according to our standards and specifications and from suppliers we designate or approve, which may include us and our affiliates. If you wish to purchase from a supplier not designated or approved by us, you must, before purchasing, give us written notice of intent to change supplier and submit a supplier evaluation fee of \$1,000.00 for each product, piece of equipment or service for which approval is sought. See ITEM 8.

(9) If you are opening your first Franchised Store, we will provide you with one of our certified corporate trainers for on-site training lasting five days to assist you in opening the Franchised Store. However, the Franchised Store must be ready to open before the commencement of on-site training. "Ready to open" means that you have obtained all necessary permits, licenses and inspections, all equipment necessary to operate the Franchised Store must be operational, product is available for sale and adequate staff has been employed. If your Franchised Store is not ready to open when we arrive for on-site training, you must pay all reasonable travel and living expenses incurred by us and the reasonable wages of our employees or agents related to our preparation for your on-site training. The range for these costs is \$150 to \$250 per day for travel and living expenses and \$150 to \$200 per day for wages, depending on location and our employees involved. If we interrupt on-site training because your Franchised Store is not ready to open, we will provide on-site training after you pay us the expenses described above and provide us a certification that your Franchised Store is ready to open. See ITEM 11.

(10) You must fully participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new Massage Green Products, new franchises or other marketing programs directed or approved by us), which are periodically prescribed by us at our sole discretion. You must pay the costs of your participation. In addition, you must honor any of our coupons, gift certificates or other authorized promotional offers at your sole cost unless otherwise specified in writing by us.

(11) If at any time, you do not employ a person, other than you, who has completed the Initial Training Program, you must designate a successor, who must attend the next available Initial Training Program, within seven calendar days, and that person must successfully complete that Initial Training Program. This Initial Training Program will be at our headquarters or at another location in the United States which we designate at our sole discretion, which lasts three to four weeks. See Section 5.1 of the Franchise Agreement.

(12) If at any time you cease to have a person who has successfully completed the Initial Training Program responsible for the management of the Franchised Store and you do not

have a successor manager attend the next available Initial Training Program, then, in addition to all other remedies, we may charge you a fee of \$1,000.00 per week (beginning the week that the initial training program is available) until the earlier of termination of your franchise agreement or when you have appointed a manager who has successfully completed our Initial Training Program. See Section 5.1 of the Franchise Agreement.

### AREA DEVELOPMENT AGREEMENT

<b>Type Of Fee<sup>(1)</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
All Costs of Initial Investment for a Franchised Store <sup>(2)</sup>	\$98,500 to \$172,000	See the Item 7 table for the Franchise Agreement.	You will incur these costs for each franchise you develop.
All Other Fees Under the Franchise Agreement <sup>(2)</sup>	Same as listed in the Item 6 Table for the Franchise Agreement.	Varies. See the Other Fees listed above in the Table for the Franchise Agreement.	You will pay those fees for each franchise you develop.
Transfer Fee <sup>(3)</sup>	10% of the total consideration paid to or received by you must be paid by you or the proposed transferee.	At closing of the transfer.	This fee must be paid if you transfer your franchise or a controlling interest in the franchise to a transferee approved by us.
Renewal Fee	\$2,500 times the number of Franchised Stores open and operating in the Development Territory	At the time of renewal.	You must pay this fee if you renew your franchise at the end of the initial term of the franchise.
Indemnification	Will vary under circumstances	As incurred.	You must reimburse us for and defend us against claims against us and taxes imposed on us due to your activities related to your performance under the ADA.
Additional Initial Training	\$1,000.00 per week, plus travel and living expenses.	On receipt of our invoice.	If you do not employ a person who has completed our initial training program, you must send a successor for training.
Shortfall Unit Fee	\$1,500.00 per Shortfall Unit	Monthly, on receipt of our invoice.	You must pay this fee each month for each store you are short of the number of stores you are obligated to have open and operating in the your Development Territory. <sup>(4)</sup>
Minimum Advertising Expenditures	\$1,000 per month	As incurred.	You must spend these amounts for advertising for prospective franchisees in the Development Territory once you are approved to sell franchises in your Development Territory.

Type Of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Purchase of advertising, disclosure documents, brochures and other marketing materials	Approximately \$1,500.00	Payable before commencement of operations.	You will need to acquire these materials to market the franchises in your Development Territory.
Failure to Attend Field Meetings or Additional Training	\$2,500.00	On receipt of our invoice.	You must pay this fee each time you fail to attend any scheduled field meetings (up to four field meetings are scheduled per year) or mandatory additional training seminar (up to one per year). <sup>(5)</sup>
Non-Performance Fee	Varies under the circumstances	On receipt of our invoice.	If you fail to perform services for franchisees in your territory and we elect to perform those services, you must pay our cost of performing those services plus 25% extra. <sup>(6)</sup>
Non-Submission of Inspection Reports Fee	Varies under the circumstances	We will withhold from your share of Royalty Fees.	If you fail to submit required reports, we may withhold your portion of the Royalty Fees payable by the Franchised Stores for which you have failed to submit reports. <sup>(7)</sup>

**Notes:**

(1) Except as noted, all fees are imposed by and payable to us and are non-refundable.

(2) You are responsible for developing and opening a Franchised Store no later than six months after the effective date of your ADA. You must continually operate that Franchised Store after opening for the remaining term of the ADA. See Section 10.13 of the ADA. You must pay all of the fees required by the Franchise Agreement while you operate a Franchised Store. You will incur these costs and fees for each Franchised Store you develop.

(3) The Transfer Fee is payable by you or the proposed transferee. You may only transfer if you satisfy certain conditions and with our written consent. See ITEM 17 and Section 12.2 of the ADA.

(4) If, at any time, you fail to have the required number of Franchised Stores open and operating in your Development Territory in accordance with your Development Schedule, we have the right to collect and/or deduct monthly from payments otherwise due you under the ADA, an amount equal to the product of the number of Franchised Stores you have failed to have open and operating in accordance with the Development Schedule (the "**Shortfall Units**") times \$1,500.00. We will stop taking these deductions or collections for any Shortfall Unit the month that a Franchised Store that was a Shortfall Unit opens and start operations. See Section 7.2 of the ADA. If you fail to make Shortfall Units payments or, if at any time, you have more than two Shortfall Units, your ADA will be subject to termination.

(5) Failure by you and your Manager to attend two consecutive field meetings will also be considered an act of default pursuant to the ADA, which may subject you to termination. See Section 10.22 of the ADA.

(6) If you fail to perform services for franchisees in your Development Territory which you must perform under the ADA, then, in addition to the other remedies we have, you agree to pay our costs of performing these services in your stead, plus 25% if we, in our sole discretion, choose to do so. See Section 10.23 of the ADA.

(7) Failure by you to submit quality inspection reports for each of the franchisees in your Development Territory permits us to collect and/or withhold payment of your share of royalties due for the Franchised Store(s) for which you fail to report and fail to cure within 5 days of receiving notice from us of this failure. If you fail to report for 10% or more of the Franchised Stores in the Territory, the entire monthly remittance due from us for the month in which such failure occurs will be withheld and forfeited. Violation of this provision with respect to 10% of Franchised Stores in your Development Territory is also considered a material default under the ADA. If your failure to report is the result of circumstances beyond your control, this default or withholding may be waived by us, in our sole discretion. See Section 10.14 of the ADA.

Area developers will receive 40% of all Royalty Fees, exclusive of gross receipts taxes or any sales taxes and returns, actually received by us from franchises located in the Development Territory, including area developer's franchises. Area developer's portion of those fees will be paid by the 25<sup>th</sup> day of each month based on fees received by us in the previous calendar month.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**FRANCHISE AGREEMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee <sup>(1)</sup>	\$45,000	Lump Sum	On signing of Franchise Agreement	Us
Leasehold Improvements <sup>(2)</sup>	\$10,000 - \$55,000	As Incurred	During Construction	Contractors/ Third Parties
Initial Lease Payment <sup>(3)</sup>	\$5,000 - \$15,000	As Incurred	Monthly	Lessor
Furniture and Fixtures	\$10,500 - \$15,000	As Incurred	Before Opening	Suppliers
Equipment, including POS System Computer and Software <sup>(4)</sup>	\$3,500 - \$4,500	As Incurred	Before Opening	Suppliers
Signage	\$3,500 - \$7,000	Lump Sum	Before Opening	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Travel and Living Expenses While Training <sup>(5)</sup>	\$2,000 - \$3,000	As Incurred	During Training	Airlines, Hotels and Restaurants
Security and Utility Deposits	\$500 - \$1,000	Lump Sum	As Agreed	Landlord or Suppliers
Grand Opening Advertising <sup>(6)</sup>	\$6,000	As Incurred	As Incurred	Suppliers
Opening Inventory and Supplies <sup>(7)</sup>	\$1,000 - \$2,000	As Incurred	Before Opening	Suppliers
Insurance Costs <sup>(8)</sup>	\$500 - \$1,000	As Incurred	As Incurred	Insurance Co.
Miscellaneous Opening Costs <sup>(9)</sup>	\$1,000 - \$2,500	As Incurred	As Incurred	Suppliers, Utilities or Us
Additional Funds – Three Months Working Capital <sup>(10)</sup>	\$10,000 to \$15,000	As Incurred	As Incurred	Us, Employees, Suppliers and Utilities
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(11) (12) (13) (14)</sup></b>	<b>\$98,500 to \$172,000</b>			

**Notes:**

(1) See Item 5.

(2) This category will include mechanical installations (e.g. HVAC), leasehold improvements (e.g. walls and counters, wall and floor coverings, ceilings, lighting, electrical and plumbing) as well as the cost of a qualified architect and/or engineer to prepare a site plan and construction drawings for the approved location. The costs of these items vary considerably depending on the size, physical condition and location of the premises and the amount of the costs, if any, a landlord may be willing to assume (however, if the landlord assumes costs, you will probably pay a higher rent for the location and you may have to personally guaranty the lease payments for a period of time to allow the landlord to amortize its costs). The estimated range does not include fees and costs relating to obtaining building and other permits and licenses. We have relied on our experience in real estate negotiations for our affiliates' stores to compile these estimates. You should review these figures carefully with a business adviser before making any decision to purchase the franchise.

(3) A lease normally requires payment of the first month's rent, a security deposit equal to one month's rent, and perhaps a utility deposit. These deposits vary widely from location to location and may or may not be refundable. We expect that nearly all Franchised Stores will be leased rather than purchased. The amounts shown in the table are an estimate of total payments you will make under your lease for the initial three-month period of operation of your Franchised Store.

(4) You must purchase the Point of Sale systems selected and approved by us ("POS System"). See Item 11. The POS System will record each and every sale or other transaction from the operation of the Franchised Store and may also calculate the amounts of the Royalty Fee, and all other fees you owe us, and may effect a regular pre-authorized automatic EFT of those amounts. You are obligated to upgrade or update the POS System, at your sole cost, which is not limited in any way, to meet our then current standards and specifications, which may be

periodically changed or revised in our sole discretion. You will also need at least one fax machine, email capability, and, if available, a cable modem, DSL or other high speed internet connection or, if not available, dial-up internet connection.

(5) Training is tuition-free, but you must pay for the expenses of attendance, including lodging, meals, transportation and wages of trainees. This estimate is based on training one person for approximately three to four weeks.

(6) See Item 6, Franchise Agreement, Note (4) and Item 11.

(7) The amount of your initial inventory will vary depending on the anticipated sales volume as well as current market prices.

(8) The costs of insurance will vary depending on the number of employees, the location, and the value of the equipment and improvements. These costs are payable to us only if you fail to obtain or maintain the required insurance and we obtain or maintain coverage on your behalf. Currently we require that you procure and maintain at least the following level of insurance for the Franchised Location and all of its operations: (a) comprehensive general liability in the amount of \$2,000,000 per occurrence and \$3,000,000 aggregate or greater if required by the lease of the premise; this policy will cover claims of bodily injury, property damage, personal injury, advertising injury and must include a waiver of subrogation; (b) automobile liability in an amount not less than \$1,000,000 for owned, non-owned and hired vehicles used in the Franchised Store; (c) statutory workers' compensation insurance and employer's liability of \$1,000,000/\$1,000,000/\$1,000,000; (d) property insurance equal to 100% of the replacement cost value of furniture, fixtures, equipment and improvements at each Franchised Location, including a special causes of loss form; and (e) unemployment insurance. The liabilities policies must name us, and our affiliates and our and our affiliates' officers, directors and employees as additional insureds and must require that we be given 30 days written notice of cancellation. All policies will be effective no later than the effective date of the lease of Franchised Location and coverage will be provided by an insurance company with a Best's Insurance rating of A- VII or better. We may, in our sole discretion, modify the above minimum insurance requirements from time to time in our discretion and notify you of the changes in writing or through revisions to the Operations Manual. Ten days before you start operation of your Franchised Store, you must provide written proof of coverage to us in the form of a certificate of insurance using a form to be specified by us. Annually, you will provide us with a certificate of insurance 30 days before the renewal of the policies. Non-compliance with the insurance provisions is a material breach of the Franchise Agreement. We also have the right to obtain the minimum required coverage on your behalf and charge back all premiums including an administrative fee to be determined at the time of the charge back. You must have the minimum required insurance in effect at all times. See Section 21 of the Franchise Agreement.

(9) These miscellaneous costs may include a lease negotiation fee, uniforms, miscellaneous deposits, installation services, legal or accounting services, business licenses, permits, advance payment of mystery shopper fees, etc.

(10) This category includes estimated royalties, advertising fees and expenses, mystery shopper fees, payroll, utilities, telephone and mail charges, office supplies and financing payments, vendor, and similar costs during the initial three-month operating phase of a new



Franchised Store. We cannot guarantee that you will not incur additional expenses starting your business, both during the initial three month operating phase and after that phase. Your costs will depend on factors including the local market for Massage Green Products, the prevailing wage rate, competition, and the sales level reached during the initial operating period. You should set aside an additional amount for living expenses during the start-up period, as this amount has not been included in these figures since they may vary widely with each individual. These expenses may or may not be refundable.

(11) We will not finance any of these payments. The amounts shown constitute our estimates of the amounts that you will typically spend for the purposes indicated. However, the actual costs you incur may be higher or lower based on your particular circumstances, including factors like the number of Franchised Stores you develop, the size and location of your Franchised Store and the extent to which you can use resources which might be available in your existing organization. We relied on the experience of certain of our officers and our affiliates experience in opening **MASSAGE GREEN**<sup>®</sup> Stores to compile these estimates. See ITEMS 1 and 2. You should review these figures carefully with a business advisor before you make any decision to sign a Franchise Agreement.

(12) The estimate in the table covers the period before the opening of your franchise and for the initial three month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. The estimate also does not include cash requirements to cover operating losses or owner's draw after your franchise has been open for three months. You may need additional funds available, whether in cash or through unsecured credit lines, or have other assets that you may liquidate, or that you may borrow against, to cover your personal living expenses and any operating losses after the initial phase of your franchise. The estimate in the table also does not reflect an amount for investment in real estate, since it is assumed that you will lease the premises for your Franchised Location. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.

(13) If you enter into a Multi-Unit Addendum with us, your initial investment will increase by the additional amount of the total Initial Franchise Fees for the three Franchised Stores you commit to develop (\$45,000 in additional fees). So your initial investment will range from \$143,500 to \$217,000. You will also incur the expenses in the table for each of the additional two Franchised Stores you develop under the Multi-Unit Addendum, except for the Initial Franchise Fee which will have been paid in full when you sign the Multi-Unit Addendum. So your initial investment for each additional Franchised Store (based on the figures available at this time—which may change by the time you develop the additional franchises) will range from \$53,500 to \$127,000.

(15) Except as may be noted, none of the payments to us are refundable. The refundability of payments to other parties is determined by your agreement with those parties.

## AREA DEVELOPMENT AGREEMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Area Development Fee	\$70,000 to \$350,000 for each Development Territory. <sup>(1)</sup>	Lump Sum	At the time of signing of ADA	Us
Office and Computer Equipment <sup>(2)</sup>	\$2,000 - \$10,000	As Agreed	Before Opening as Incurred	Suppliers
Vehicle Expenses <sup>(3)</sup>	\$1,500 - \$3,000	As Agreed	As Incurred	Suppliers
Travel and Living Expenses While Training <sup>(4)</sup>	\$2,000 - \$3,000	As Incurred	During Training	Airlines, Hotels and Restaurants
Legal, Accounting and other Miscellaneous Pre-Opening Expenses <sup>(5)</sup>	\$5,000 - \$10,000	As Agreed	Before opening as incurred	Utilities, Lawyer, Accountant, Vendors
Insurance <sup>(6)</sup>	\$2,000 - \$9,000	As Incurred	As Incurred	Insurance Companies Suppliers
Initial Investment for a Franchised Store <sup>(7)</sup>	\$98,500 to \$172,000	See the preceding table for Franchise Agreements	See the preceding table for Franchise Agreements	See the preceding table for Franchise Agreements
Additional Funds – Three Months Working Capital <sup>(8)</sup>	\$10,000 to \$15,000	As Incurred	As Incurred	Employees, Suppliers and Utilities
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(9) (10)</sup></b>	<b>\$191,000 to \$572,000</b>			

**Notes:**

(1) See Item 5. The estimate in the table is based on \$.07 per person in the territory with a population of 1,000,000 on the low end and 5,000,000 on the low end. The fee may be more or less than this range based on the population of the territory.

(2) You must equip your office and staff with communications, computer (hardware and software) and other equipment in accordance with our standards, and conform within one month to any published change in standards. This includes equipping each office with office and mobile telephones, fax machines, office and portable computers with Internet access and other mandated software, and other equipment. See Section 10.15 of the ADA. You may incur additional expenses if you set up a separate office for the area development business. Area developer will probably use its Franchised Store location or a home office for this purpose, so there should not be any significant additional expense for real estate for the area developer and no expenses for real estate have been reflected in the table.

(3) You will need a vehicle for use in your business—to meet prospects, view real estate, etc. You are not required to obtain any particular vehicle for the business and it is anticipated that you will use your existing personal vehicle. The amounts shown in the table are an estimate of the expenses you may incur during the initial three-month period of operation of your franchise if you were to lease a midsize sedan with no money down.

(4) Training is tuition-free, but you must pay for the expenses of attendance, including lodging, meals, transportation and wages of trainees. This estimate is based on training one person for approximately three to four weeks.

(5) Miscellaneous pre-opening expenses may include legal fees, organizational and accounting expenses, business licenses, miscellaneous office supplies, utility and phone deposits, equipment deposits, payroll, internet fees and other pre-paid expenses incurred before opening.

(6) The cost of insurance will vary depending on the number of employees, the location, and the value of the equipment and improvements. We currently require that you obtain, at your expense, at least the following level of insurance over all of your operations: (a) comprehensive general liability in the amount of \$2,000,000 per occurrence and \$3,000,000 aggregate or greater if required by any lease or other agreement in connection with your business; this policy will cover claims of bodily injury, property damage, personal injury, advertising injury and shall include a waiver of subrogation; (b) automobile liability in an amount not less than \$1,000,000 for owned, non-owned and hired vehicles used in your business; (c) statutory workers' compensation insurance and employer's liability of \$1,000,000/\$1,000,000/\$1,000,000; (d) property insurance equal to 100% of the replacement cost value of furniture, fixtures, equipment and improvements at all premises of your business, including a special causes of loss form; and (e) unemployment insurance. These policies must name us, our affiliates and their directors, officers and employees as additional insureds and must provide that we will be given 30 days written notice of cancellation. All policies will be effective no later than the date you commence operations and coverage will be provided by an insurance company with a Best's Insurance rating of A- VII or better. We may, in our sole discretion, modify the above minimum insurance requirements in our sole and absolute discretion and notify you of the changes in writing or through revisions to the Manual. Ten days before commencement of the operation of your business, you must provide written proof of coverage to us in the form of a certificate of insurance using a form we specify. Annually, you will provide us with a certificate of insurance 30 days before the renewal of all policies. Non-compliance with the insurance requirement will be deemed as a material breach of the Area Development Agreement. We also have the right to place the minimum required coverage on your behalf and charge back all premiums including an administrative fee to be determined at the time of the charge back, or withhold premiums and administrative fees in accordance with Section 5.3 of the Area Development Agreement. See Sections 10.20 and 10.21 of the ADA.

(7) You are responsible for continually operating at least one Franchised Store under a Franchise Agreement beginning six months after the effective date of the ADA and continuing for the remaining term of the ADA. As a result, you must make all of the investments required for a single unit franchise. See Section 10.13 of the ADA. The range of costs is described in more detail in the table describing the initial investment for Franchise Agreements.

(8) This category includes payroll, utilities, telephone, mail, internet fees, office supplies, financing payments, advertising and promotion, including the \$1,000 per month that you are required to spend on advertising for prospective franchisees, and similar costs during the initial phase of your business. We cannot guarantee that you will not incur additional expenses starting your business. These expenses may or may not be refundable.

(9) Except for security deposits, none of the above payments are expected to be refundable. We will not finance any of these payments. The amounts shown constitute our estimates of the amounts that you will typically spend for the purposes indicated. However, the actual costs you incur may be higher or lower based on your particular circumstances, including factors like the extent to which you can use resources which might be available in your existing organization. We relied on the experience of certain of our officers and our affiliates experience in opening stores to compile these estimates. See Items 1 and 2. You should review these figures carefully with a business advisor before you make any decision to sign the ADA.

(10) Except as may be noted, none of the payments to us are refundable. The refundability of payments to other parties is determined by your agreement with those parties.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **FRANCHISE AGREEMENT**

#### **General**

We have the right to require you to purchase all products and services used in your Franchised Store in accordance with our specifications and only from suppliers designated or approved by us. The purpose of these requirements is to maintain uniqueness, consistency, uniformity, quality and identity of the **MASSAGE GREEN<sup>®</sup>** Stores and the products and services sold by **MASSAGE GREEN<sup>®</sup>** Stores and to take advantage of the group purchasing power of **MASSAGE GREEN<sup>®</sup>** Stores.

#### **Obligations to Purchase or Lease from the Franchisor or Designated Suppliers**

We have the right to require you to purchase equipment, software, items containing our Proprietary Marks, products sold at a Franchised Store and other items we designate from a supplier designated by us (“designated suppliers”), which may include us or our affiliates (for example, Massage Green Distributing). We currently require that you purchase massage tables, Point of Sale software, environmental cleaning products and massage oils and lotions from designated suppliers. Except as described above, we and our affiliates are not a designated supplier for any products at this time. We do not have to approve other suppliers for items that you must purchase from designated suppliers. We do not issue to our franchisees our criteria for items that you must purchase from designated suppliers or our criteria for choosing our designated suppliers. We will provide a list of designated suppliers to you in the Manual or other written materials. We will issue notification of designated supplier status or revocation of designated supplier status to you in the Manual or other written materials.

## **Obligations to Purchase or Lease from Approved Suppliers**

We have the right to require you to purchase all other products and services used in the development and operation of a Franchised Store from a supplier approved by us (“approved supplier”). We have the right to designate and require you to use approved architects for the design and/or build-out of your Franchised Location. We have designated an approved architect and we currently require that you use an approved architect for the design and build-out of your Franchise Location. Our affiliate, Massage Green Construction, is an approved supplier (but not the only supplier you may use) of general contractor services to our franchisees. Except for use of our approved architect, we do not currently require that you purchase any products from approved suppliers and, except for MG Construction, we and our affiliates are not approved suppliers for any products or services. Consequently, other than the products and services noted above that you must purchase from designated suppliers and use of our approved architect, you may purchase products and services for the development and operation of your franchise business from any supplier as long as the products and services meet our specifications.

If we specify approved suppliers in the future, we will approve a supplier in our sole discretion, if the supplier meets all of our specifications and standards as to quality, safety, cleanliness, composition, finish, appearance, service, capacity, timeliness and reliability. We will provide a list of approved suppliers to you in the Manual or other written materials. We will issue notification of approved supplier status or revocation of approved supplier status to you in the Manual or other written materials.

If you desire to purchase products or services that we have required to be purchased from an approved supplier, from a different supplier, you may request that we approve the different supplier. In order to request approval of a supplier you must send us a written notice of intent to change supplier and submit a supplier evaluation fee of \$1,000.00 for each product or service for which approval is sought. We may require samples from the proposed new supplier be delivered to us for testing. We may withhold our approval for any reason whatsoever. Permission for inspection of the proposed supplier’s facilities and equipment will be a condition of approval. Also, we have the right to make periodic inspections and to revoke our approval on the supplier’s failure to continue to meet any of our then current standards and specifications and other criteria. If there is already an approved supplier for the product or service sought from the new supplier, we likely will reject your request for a new supplier without conducting any investigation. We may notify you in writing, after receiving your notice and evaluation fee, as to whether your request is accepted or rejected. However, if you have not received our notice within 60 days after sending your notice and evaluation fee, your proposal is considered rejected.

We formulate our criteria for approval of suppliers based on our and our affiliates’ experience in operating stores and may modify these criteria based on the experience of our affiliates and franchisees. Our criteria for suppliers will be available to our franchisees. They will be stated in the Manual or other written materials.

### **Additional Information Relating to Designated and Approved Suppliers**

Other than our affiliates identified in Item 1, there are no designated suppliers or approved suppliers in which any of our officers owns an interest.

We and our affiliates may negotiate purchase arrangements with suppliers for the benefit of franchisees. Certain suppliers may make payments to us in the form of rebates, commissions, or other consideration because of transactions with franchisees; however, there are no arrangements with suppliers in place as of the date of this FDD. If we do receive rebates, commissions or other payments from suppliers, we will retain those payments for use in our sole discretion, including for hosting regional or national meetings if we so elect.

### **Obligations to Purchase Under Specifications**

You must only use equipment and software in your business that that meets the criteria and performance standards of the System and you must obtain only equipment that meets our standards and specifications. All signs obtained for use at the Franchised Location must comply with our standards and specifications. In addition, all other products and services used in the operation of your Franchised Store that are not required to be purchased from a designated or approved supplier must conform to any specifications we have provided in the Manuals. Our standards and specifications for equipment and other items include type, quality, configuration and/or composition, capability and/or performance, safety, finish and appearance. As noted above, we specify designated suppliers for a number of items to be used in your Franchised Store. We will provide specifications for all other items used in the development or operation of your Franchised Store.

Your lease must be approved by us. Also, you and your landlord must sign a lease addendum acknowledging certain rights we have under the Franchise Agreement that relate to your lease. In addition, your Franchised Location must be designed, built-out and decorated in accordance with our plans and specifications and we must approve any design, build-out and decoration of your Franchised Location. We have the right to designate and require you to use approved architects for the design and/or conversation of your Franchised Location.

You must purchase insurance coverage for your business in accordance with our standards and specifications. See Item 7.

We formulate and modify our specifications based on our experience in the business. Factors that we consider include quality and uniformity of products and services. Except as described above with respect to the approval of products or suppliers, we are not required to issue our specifications to our franchisees. We may issue and modify our specifications by issuing updates to our Manual or other written materials.

### **Revenue or Other Benefits to Franchisor or Affiliates in Last Fiscal Year**

As described above, we and our affiliates may derive revenue from suppliers to our franchisees by way of rebates, commissions, etc. Also, if we or our affiliates directly supply products or services to you, we will derive revenue. We and our affiliates did not receive

revenue or other material consideration as a result of sales of products or services to our franchisees in the fiscal year ending December 31, 2012.

### **Percentage of Purchases**

All of your purchases from designated and approved suppliers and in accordance with our specifications will represent 75% to 90% of your total purchases in the establishment of your Franchised Store and 10% to 20% of your total purchases in the ongoing operation of your Franchised Store.

### **Cooperatives; Material Benefits to Franchisees**

We do not have any formal purchasing or distribution cooperatives. We do not provide material benefits to our franchisees based on a franchisee's purchases of particular products and services or use of particular suppliers; however, if you do not comply with your obligations to purchase from designated and approved suppliers, you will be in default of your Franchise Agreement and we can withhold services and/or terminate or refuse to renew your franchise.

## **AREA DEVELOPMENT AGREEMENT**

### **Obligations to Purchase from Designated Suppliers**

You must obtain advertising materials, brochures, the disclosure documents and other marketing, educational and promotional materials from us, our affiliate, Massage Distributing, or a designated supplier. We have not yet made any sales of these materials to area developers. These required purchases are expected to constitute approximately 1% of your cost of starting the business and approximately 5% of your ongoing costs.

### **Additional Information Relating to Designated and Approved Suppliers**

There are no designated suppliers or approved suppliers in which any of our officers owns an interest.

We and our affiliates may negotiate purchase arrangements with suppliers for the benefit of area developers. Certain suppliers may make payments to us in the form of rebates, commissions, or other consideration because of transactions with area developers; however, there are no arrangements with suppliers in place as of the date of this FDD. If we do receive rebates, commissions or other payments from suppliers, we will retain those payments for use in our sole discretion, including for hosting regional or national meetings if we so elect.

### **Obligations to Purchase Under Specifications**

You must purchase insurance coverage for your business in accordance with our standards and specifications. See Item 7.

You must equip your office and staff with communications, computer (hardware and software) and other equipment in accordance with our standards, and conform within one month to any published change in standards. Our standards include, equipping your office with office and mobile telephones, fax machines, office and portable computers with cable modem, DSL or other high speed internet connection or, if the foregoing is not available, dial-up internet connection, and other mandated software, and other equipment. See Section 10.15 of the ADA.

### **Revenue or Other Benefits to Franchisor or Affiliates in Last Fiscal Year**

We and our affiliates may derive revenue from suppliers to our area developers by way of rebates, commissions, etc. Also, if we or our affiliates directly supply products or services to you, we will derive revenue. We and our affiliates did not receive revenue or other material consideration as a result of sales of products or services to our area developers in the fiscal year ending December 31, 2012.

### **Percentage of Purchases**

All of your purchases from designated and approved suppliers and in accordance with our specifications will represent 25% to 50% of your total purchases in the establishment of your area development franchise and 10% to 20% of your total purchases in the ongoing operation of your area development franchise.

### **Cooperatives; Material Benefits to Area Developers**

We do not have any formal purchasing or distribution cooperatives. We do not provide material benefits to our area developers based on an area developer's purchases of particular products and services or use of particular suppliers; however, if you do not comply with your obligations to purchase from designated and approved suppliers, you will be in default of your Area Development Agreement and we can withhold services and/or terminate or refuse to renew your franchise.

### **Same Requirements as Franchisees**

You are responsible for operating at least one Franchised Store under a Franchise Agreement. Therefore, you will be subject to all the same restrictions on products and services as franchisees are subject to by the Franchise Agreement. See ITEM 1 and Section 10.13 of the ADA.



**ITEM 9  
FRANCHISEE’S OBLIGATIONS  
FRANCHISE AGREEMENT**

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.**

(The Franchise Agreement is abbreviated in this table as “FA”).

<b>Obligations</b>	<b>Section In Agreement</b>	<b>Item In Franchise Disclosure Document</b>
a. Site Selection and acquisition/lease	FA Section 4.1	Item 11
b. Pre-opening purchases/leases	FA Sections 4.1, 4.2, 4.3, 4.4, 5.2, 9.1(d), 9.1(n), 11.1, 12.5, 12.6, and 21	Items 6, 7 and 8
c. Site development and other pre-opening requirements	FA Sections 4.5, 5.2, 9.1(b), 11.1 and 21.2	Items 7, 8 and 11
d. Initial and ongoing training	FA Sections 5.1 through 5.4 and 19.1	Items 5, 6, 7 and 11
e. Opening	FA Sections 4.6 and 11.1; Section 3 of the Multi-Unit Addendum	Item 7
f. Fees	FA Sections 3.1 through 3.6, 5.1, 8.2, 11.3, 11.6, 12.7, 15.6, 16.2, 17.2, 18.1(b), 19.3 and 21.2; Section 2 of the Multi-Unit Addendum	Items 5, 6, 7, 8, 11 and 17
g. Compliance with standards and policies/Operations Manual	FA Sections 7, 9, 12 and 18.2	Item 11
h. Trademarks and proprietary information	FA Section 13.1 through 13.10, 13.14, 13.16, 13.18 through 13.20, 14 and 18.4(b)	Items 13 and 14
i. Restrictions on products/services offered	FA Sections 1.3, 9.1(d), and 12.2 through 12.6	Items 8, 11, and 16
j. Warranty and customer service requirements	FA Section 9.1	None
k. Territorial development and sales quotas	FA Sections 2.1 and 2.2; Sections 3 and 4 of the Multi-Unit Addendum	Item 12

<b>Obligations</b>	<b>Section In Agreement</b>	<b>Item In Franchise Disclosure Document</b>
l. Ongoing product/service purchases	FA Sections 1.3, 4.4, 9.1(d), 11.1, 11.2, 11.3, 12.5 and 12.6	Item 8
m. Maintenance, appearance and remodeling requirements	FA Sections 4.2, 4.3 and 9.1(g)	Items 6, 7 and 8
n. Insurance	FA Sections 21.1 and 21.2	Items 7 and 8
o. Advertising	FA Sections 9.1(n), 11.1 through 11.10, 13.12 and 14.9	Items 6, 7 and 11
p. Indemnification	FA Sections 19.1 and 19.3	Items 6 and 13
q. Owner's participation/management/staffing	FA Sections 5.1, 5.2, 5.4, 9.1(c), 19.1 and 24.1(a)	Items 11 and 15
r. Records and reports	FA Sections 4.4, 14.2, and 15.1 through 15.7	Items 6, 8, 14 and 17
s. Inspections and audits	FA Sections 4.4, 4.5, 5.2, 9.1(b), 12.3, 12.7, 13.15, 15.5 and 15.6	Items 6 and 8
t. Transfer	FA Sections 1.2, 16.1 through 16.7, and 18.3	Item 17
u. Renewal	FA Sections 17.2 and 17.3	Item 17
v. Post-termination obligations	FA Sections 18.4 through 18.6, 18.9 through 18.12, 20.2, 20.3, and 22.1 through 22.3	Items 14, 15 and 17
w. Non-competition covenants	FA Sections 20.1 through 20.4.	Items 14, 15 and 17
x. Dispute resolution	FA Sections 22.1 through 22.3	Item 17

## AREA DEVELOPMENT AGREEMENT

**THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE AREA DEVELOPMENT AGREEMENT AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.**

(The Area Development Agreement is abbreviated in this table as “ADA”).

Obligations	Section In Agreement	Item In Franchise Disclosure Document
a. Site Selection and acquisition/lease	ADA Section 10.15	Items 7 and 11
b. Pre-opening purchases/leases	ADA Section 10.15	Items 7 and 8
c. Site development and other pre-opening requirements	ADA Section 10.15	Item 7, 8 and 11
d. Initial and ongoing training	ADA Sections 9.1, 9.2 and 10.2	Items 5, 6 and 7
e. Opening	ADA Section 9.1	Item 11
f. Fees	ADA Sections 4, 5, 7.2, 9.1, 9.2, 10.3, 10.11, 10.18, 10.21, 10.22, 10.23, 10.29, 11, 12.2 and 13.4	Items 5, 6, 7 and 8,
g. Compliance with standards and policies/Operations Manual	ADA Sections 3.2, 6, 8.2, 8.6, 8.7, 8.8, 8.11, 9.7, 9.8, 9.9, 10.9, 10.20, 10.27 and 14.1	Item 11
h. Trademarks and proprietary information	ADA Sections 8.1 through 8.26, 9.7, through 9.9, 13.5, 13.9, 13.10, 14.2, 16.3, 16.4, 16.7, 16.8 and 24.6	Items 13 and 14
i. Restrictions on products/services offered	For Developer’s Franchised Stores, same as for Franchise Agreement. For sales of franchises, ADA Sections 2.1 and 6	Items 8, 11 and 16
j. Warranty and customer service requirements	ADA Section 6	None
k. Territorial development and sales quotas	ADA Sections 7.1 and 7.2	Item 6 and 12
l. Ongoing product/service purchases	ADA Section 10.15	Item 8
m. Maintenance, appearance and remodeling requirements	None	None
n. Insurance	ADA Sections 10.20 and 10.21	Items 7 and 8

<b>Obligations</b>	<b>Section In Agreement</b>	<b>Item In Franchise Disclosure Document</b>
o. Advertising	ADA Sections 9.6, 10.3, 10.5 and 10.10	Items 6, 7, 8 and 11
p. Indemnification	ADA Sections 6.7, 9.12, 10.12, 18.1 through 18.4	Items 6 and 13
q. Owner's participation/management/staffing	ADA Sections 9.1, 10.2 and 10.12	Items 11 and 15
r. Records and Reports	ADA Sections 10.7, 10.9, 10.14 and 10.26	Items 6, 14 and 17
s. Inspections and audits	ADA Section 8.19	Item 13
t. Transfer	ADA Sections 12.1 through 12.7	Item 17
u. Renewal	ADA Section 11	Item 17
v. Post termination obligations	ADA Sections 8.9 through 8.12, 8.23, 16.1 through 16.9, 18.4 and 24	Items 14, 15 and 17
w. Non-competition covenants	ADA Sections 24.1 through 24.5	Items 14, 15 and 17
x. Dispute resolution	ADA Sections 19.1 through 19.6	Item 17
y. Obligations to Assist, Train, Monitor and Service Franchisees in the Territory	ADA Sections 10.3, 10.7 through 10.9, 10.11, 10.14 and 10.24	Items 11, 16 and 17

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing, nor do any of our affiliates. We do not guarantee your note, lease, or other obligation. We do not currently place financing with anyone and do not receive any payment for placement of financing. We do not have any past or present practice or intention to sell, assign or discount to any third party, in whole or in part, any financing arrangements. Financing is normally arranged by you with the financial institution of your choice.

**ITEM 11**  
**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND**  
**TRAINING**

**FRANCHISE AGREEMENT**

Except as listed below, Massage Green is not obligated to provide you with any assistance.

**Our Obligations Before the Franchised Store Opens:**

1. We will designate your territory after approving a site (the “Franchised Location”) selected by you in the Target Area described in the Franchise Agreement. (See Sections 1.1, 4.1 and Exhibit A of the Franchise Agreement).

2. We do not provide assistance in selecting or preparing your Franchised Location, including conforming the premises to local ordinances and building codes and obtaining any required permits. Local municipalities often have local laws, ordinances and permit requirements applicable to outlets offering massage services. You should examine these laws before purchasing a Franchised Store from us. We will provide written specifications for the space requirements and build out specifications for the Franchised Location, including signage, décor, and equipment. (See Sections 4.2, 4.3 and 6.1 of the Franchise Agreement).

3. Before your grand opening, we will provide you, and up to one of your employees, with three to four weeks of training (the “Initial Training Program”) at our corporate headquarters or at another location in the United States which we designate at our sole discretion, some of which may be waived by us if you or your employee has relevant prior experience. We may also, at our discretion, inspect your Store within 30 days before the projected opening date, provided the Franchised Store is ready to open (See Section 5.2 of the Franchise Agreement). You must begin the Initial Training Program within 30 days after our approval of a signed lease or purchase agreement for the franchised location. Although you do not need to pay for this training, you will be responsible for paying all expenses, including travel, lodging, and employee salaries associated with attending the Initial Training Program. You also may need to pay for additional training if we determine that you or your employee have not completed the training satisfactorily. (See Section 5.1 of the Franchise Agreement). This additional training will be at our corporate headquarters or at another location in the United States which we designate at our sole discretion. The length of this additional training will be three to four weeks, depending on how much of the Initial Training Program we determine you or your employee have not completed satisfactorily. The current cost of this additional training is \$1,000.00 per week, plus travel and living expenses for you, which we estimate to be \$150 to \$250 per day.

4. If you are opening your first Franchised Store, we also will provide you with one of our certified corporate trainers for on-site training lasting five days to assist you in opening the Franchised Store. The Franchised Store must be ready to open before the commencement of on-site training. “Ready to open” means that you have obtained all necessary permits, licenses and inspections, all equipment necessary to operate the Franchised Store must be operational, product is available for sale and adequate staff has

been employed. If your Franchised Store is not ready to open when we arrive for on-site training, you must pay all reasonable travel and living expenses incurred by us and the reasonable wages of our employees or agents related to our preparation for your on-site training. If we interrupt on-site training because your Franchised Store is not ready to open, we will provide on-site training once you pay us the expenses described above and provide us a certification that your Franchised Store is ready to open. (See Section 5.2 of the Franchise Agreement).

5. We will give you our standards and specifications for the supplies and materials to be used in your Franchised Store and the services and products to be offered at your Franchised Store. We also give you a list of designated and/or approved suppliers from which to obtain the other equipment, supplies, products and materials to be used in your Franchised Store, and, if available a description of any national or central purchase and supply agreements offered by the designated or approved suppliers for our franchisees. Massage Green will not deliver or install any items for you. (See Sections 6.1, 9.1(d), 12.2, 12.4, 12.5 and 12.6 of the Franchise Agreement).

6. We will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may periodically modify this Manual in our sole and absolute discretion. (See Section 7.1 through 7.3 of the Franchise Agreement). The Table of Contents of the Manual, which notes the number of pages devoted to each subject, is attached as Exhibit E. The total number of pages in the Manual is 151 pages.

### **Our Obligations During the Operation of the Franchised Store:**

1. We may periodically modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques (See Sections 1.1, 7.1 and 13.16 of the Franchise Agreement).

2. We may, in our discretion, conduct one training seminar each year at our headquarters or at another location in the United States which we designate at our sole discretion. Attendance is optional unless we give you at least 30 days prior written notice. You need not attend more than one seminar each year. The duration of this training will be no more than seven consecutive calendar days. There is no fee for mandatory training, other than travel and living expenses which you are responsible for (See Section 5.3 of the Franchise Agreement).

3. We may conduct, in our discretion, a Massage Green annual convention at a location to be determined by us. The convention will not exceed four consecutive calendar days. You must attend the annual convention as long as we give you at least 30 days prior written notice of the convention. If you fail to attend two consecutive scheduled annual conventions, we will have the right to terminate the Franchise Agreement.

4. You, or the designated manager, must have completed the Initial Training Program. If you ever replace your designee, we will make the Initial Training Program available to the replacement person at your expense. Our current fee for this additional

training does not exceed \$1,000.00 per week, and you will be responsible for all travel and living expenses associated with this training, which we estimate to be \$150 to \$250 per day. We reserve the right, at our sole discretion, to increase the cost of this training. (See Sections 5.1, 5.3 and 8.1 of the Franchise Agreement).

5. We will make available periodic updates regarding products and service specifications, the Massage Green business, and the System, at our sole discretion. (See Section 8.1 of the Franchise Agreement).

6. You may call us on the telephone to consult with us regarding operations, advertising and promotions, customer relations and other similar operation and management issues, as long as you make a request for assistance reasonably in advance, and as long as we have the personnel and resources to accommodate these telephone calls. (See Section 8.1 of the Franchise Agreement).

7. We may suggest retail prices or set maximum or minimum prices for the Massage Green Products. (See Sections 8.1 and 9.2 of the Franchise Agreement).

### **Marketing and Promotions:**

1. You may create your own advertising and promotion materials, but the type, manner, media type, media selection and duration of any advertising developed by you must be approved by us in writing before the first use of that type and manner of advertising. You must submit any advertising material to us for review at least ten business days before the proposed first use. If we do not send our approval within the ten business day period, you may not use this advertising material. We may, in our sole discretion, periodically develop advertising and promotion materials and we will make one sample of these available to you at no charge. Costs for duplication will be charged if you want additional copies. We will not, nor will any National Advertising Fund that we create, have any obligation to spend any amount on advertising in your Territory or in any other geographic area. (See Sections 11.5 and 11.8 of the Franchise Agreement).

2. We may, but we are not obligated to, recommend to you certain advertising and media for your grand opening advertising and promotion. You must advertise and promote the opening of your Franchised Store at your own expense. You must spend at least \$6,000 on grand opening advertising and promotion beginning on the opening of your Franchised Store and ending one full month after the opening of your Franchised Store. You may spend more if you chose. (See Section 11.1 of the Franchise Agreement).

3. After your grand opening and beginning with the start of the second month of your operation, you must spend at least the greater of 5% of Gross Sales or \$3,000.00 on local advertising. (See Sections 11.1, 11.2 and 11.3 of the Franchise Agreement).

4. We have the right to establish Local Advertising Cooperatives. If your Franchised Store is within the area of a Local Advertising Cooperative, you must become a member of and contribute to the Cooperative. Each Local Advertising Cooperative must adopt a cooperative agreement which must be approved by us. No changes may be made in the bylaws or other governing documents of the cooperative without our prior written consent. Up to the greater of 5% of your monthly Gross Sales or \$3,000.00 spent monthly

through a Local Advertising Cooperative will be deemed part of your mandatory local advertising expense. Franchised Stores owned by us and our affiliates must join an established cooperative in their geographic area and will be subject to the rules established by the members. If you are a member of a Local Advertising Cooperative, you must participate in display advertising with the other franchisees in the geographic area in which your Franchised Store is located. The size of the advertisements and the length of advertising are determined by the majority vote of the cooperative members, with each Franchised Store, including stores owned by us or our affiliates, having one vote. The cooperative is responsible for the cost and administration of the advertising, including obtaining payments from the cooperatives members. We do not have any responsibility for the cooperatives' advertising activities, except that we will either provide the advertising layout and design, or we will approve layouts and designs created by franchisees before advertising. (See Section 11.3 of the Franchise Agreement).

5. We may, in our sole discretion, create a National Advertising Fund and if we do, you must pay a National Advertising Fee of 2% of Gross Sales (see Item 6). If we create a National Advertising Fund all the franchisees will be subject to the same fee. We reserve the right to increase the National Advertising Fee to 5% of Gross Sales. Franchised Stores owned by us and our affiliates will pay the National Advertising Fee in the same manner as the other franchisees. Advertising materials and services may be provided to you through the National Advertising Fund. We reserve the right to place advertising on behalf of the System, including you and the other franchisees, through the National Advertising Fund. The advertising may be disseminated in national broadcast, print or any other media. Funds will be used to promote products and services sold by the franchisee and administrative costs and overhead (including reimbursement to us for the costs of any of our employees' time). The National Advertising Fund will be administered by our personnel or an outside entity we appoint and the administrator may be compensated from monies in the Fund. Once deposited in the National Advertising Fund, funds will remain in the National Advertising Fund until they are expended and will not be refunded under any circumstances. We make no promise or guaranty that you will receive benefits from the National Advertising Fund equal to or greater than the amount of your National Advertising Fees, or your pro rata portion of the entire National Advertising Fund. Even if a National Advertising Fund is created, there will be no advertising council for franchisees to participate in. The National Advertising Fund will have an unaudited financial statement prepared annually which will be available to you on request not later than 120 days after the end of each calendar year. No other statements related to the National Advertising Fund, including one showing how the fees are spent, will be provided to you. (See Sections 11.6 through 11.8 of the Franchise Agreement).

6. You must not use the Internet, or any social networks (including but not limited to facebook, Twitter, Pinterest, and Instagram), wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media or similar methods with potential local, regional, national or worldwide scope in connection with your Franchised Store, except with our written consent and then only in accordance with any policies and procedures specified by us. We may maintain an Internet site and/or social media accounts for the Massage Green franchise system and allow you to participate in business generated by those methods under our guidelines. (See Section 11.10 of the Franchise Agreement).



7. We have not initiated the National Advertising Fund and we did not collect advertising fund payments during 2012. As a result, we do not have any data on the portions of the National Advertising Fund expenditures used for media placement, production of advertising, administrative costs, or other costs during 2012.

### **Cash Registers and Computer System:**

1. You must purchase the point of sale computer systems, including hardware and software, that we specify (“POS System”) for your Franchised Store from a supplier we will designate. (See Section 4.4 of the Franchise Agreement).

We currently specify a POS System that includes four PC computer workstations and web based MindBody software. The POS System will be used to record each sale and will collect and report data on sales levels, amounts and activity. The POS System includes time clock and payroll functions and records accounting data that can be imported to the accounting software program specified by us (QuickBooks). The POS System will also be used to calculate the fees and other amounts payable by you to us under the Franchise Agreement, and the POS System will be set up to effect preauthorized automatic EFT’s of those amounts. We will have independent access to sales and other information produced by your POS Systems, but no independent access to any other information. There are no contractual limitations to our right to access this information and data. You have a contractual obligation to update the hardware and software components of the POS Systems to meet our then current standards and specifications. There are no contractual limitations on the cost or frequency of your obligation to update or upgrade computer hardware and software during the term of the franchise. (See Section 4.4 of the Franchise Agreement). Our estimate of the cost of the POS System hardware is approximately \$3,500. Also, you will incur a \$750 set-up fee and a \$125 per month fee in connection with the MindBody software. We also require that you acquire QuickBooks accounting software to use in your business. The cost of QuickBooks is approximately \$200 to \$350.

### **Operations Manual:**

1. Exhibit E to this Franchise Disclosure Document is a copy of the table of contents of our Manual.

### **Methods Used to Select the Location of the Franchised Store:**

1. You must select the location (the address for the site of your Store) for the Franchised Store. Our prior written approval of the location of your franchise is needed before you sign a lease or purchase agreement for that location. (See Sections 1.1, 4.1 and Exhibit A of the Franchise Agreement). The location must be within the Target Area designated in your Franchise Agreement.

2. Our approval or disapproval of your location selection will be made in our sole discretion. The criteria we presently consider in approving the location for the proposed site include population, traffic count and patterns, visibility, weather, the neighboring properties, demographic makeup of residents and commercial establishments in surrounding areas, and availability of parking and other related characteristics. These criteria may be periodically revised by us in our sole and absolute discretion. If a site cannot be agreed on, and an

approved signed lease or purchase agreement for the approved site is not delivered to us within 180 days after signing the Franchise Agreement, we have the right to terminate the Franchise Agreement.

3. Once your location is approved, you must have a signed lease or purchase agreement for the proposed location within 180 days after signing the Franchise Agreement. We then have 10 days in which to approve or disapprove the signed lease or purchase agreement. The criteria we currently use includes whether the lease provides us with adequate protection in the event that you terminate your lease or Franchise Agreement, including notice to us of, and the right, but not the obligation, to cure your defaults under your lease or sublease; your right to assign your interest under your lease to us and our right, but not obligation, to succeed in your rights under the lease if you default or otherwise terminate the lease, without your lessor's or sub-lessor's consent; the right to reassign to your successor, including, without limitation, us or our parent or affiliate, or another franchisee, without landlord's consent; provision that we will not be obligated to pay any monies due to your landlord from you; and any other reasonable terms we may require. If we do not approve the signed lease or purchase agreement, you will have 10 days to present to us another signed lease or purchase agreement for our approval. If we do not approve the second time, we may terminate the Franchise Agreement. Additionally, if you fail to obtain lawful possession of a site that we have approved within 60 days after we deliver our approval, we may, at our sole discretion, withdraw approval of the site. (See Section 4.1 of the Franchise Agreement).

**Typical Length of Time Before Operation:**

We do not have a typical example of the length of time between the signing of the Franchise Agreement and the opening of your Franchised Store. Based on the experience of our affiliates opening company-owned stores and/or our franchising experience, we expect it may take approximately six months to open your Franchised Store after signing the Franchise Agreement. Some of the factors involved in opening the Franchised Store include your ability to obtain a lease or purchase agreement, building permits, zoning and local ordinances, weather conditions, shortages, and delayed construction and installation of equipment, fixtures and signage.

**Training:**

The training that we provide is described in this ITEM 11. More detailed information regarding the Initial Training Program is described in the Table below:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Operations	2 to 6 hours	36 to 65 hours	Our Offices or another location in the U.S.
Marketing	2 to 6 hours	3 to 10 hours	Our Offices or another location in the U.S.

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Administration	2 to 6 hours	3 to 10 hours	Our Offices or another location in the U.S.
Human Resources	2 to 6 hours	2 to 10 hours	Our Offices or another location in the U.S.
Training for the Massage Green Program	2 to 6 hours	35 to 65 hours	Our Offices or another location in the U.S.

Training for all subjects will take place at our corporate headquarters or another location in the U.S. specified by us in our discretion. The number and frequency of sessions will depend on the number of franchisees, but we expect them to begin every four to six weeks. You or your Manager must complete the Initial Training Program before beginning operation of your Franchised Store.

If at any time you cease to have a person who has successfully completed the Initial Training Program responsible for the management of the Franchised Store and you do not have a successor manager attend the next available Initial Training Program, then, in addition to all other remedies, we may charge you a fee of \$1,000.00 per week (beginning the week that the initial training program is available) until the earlier of termination of your franchise agreement or when you have appointed a manager who has successfully completed the Initial Training Program. You will be responsible for the fees for any additional Initial Training Programs, which will be \$1,000.00 per week of training, and any and all traveling and living expenses incurred in connection with attendance at any additional Initial Training Programs, which we estimate to be \$150 to \$250 per day.

In addition, you must, no later than two weeks before the commencement of operations, hire: (i) at least one sales associate that has been trained by you in accordance with our guidelines; and (ii) at least fifteen additional employees/independent contractors who have completed a minimum of 500 hours of massage therapy certification. If we determine, in our sole discretion, that you have not met these staffing requirements, you will not be allowed to open your store for business until you have met these staffing requirements.

The primary instructional material will be our Manual and training manual. Michael Blum is in charge of the training program and the training staff. Mr. Blum has worked with us and in the industry since June 2012. The other instructors in our training program will be managers and operators of stores owned by our affiliates in California, Michigan and Texas. Each instructor will have at least six months of experience in the industry and at least six months of experience with Massage Green.

We may conduct one training seminar annually at a location to be determined by us to discuss relevant business trends and share new information relating to Franchised Stores. Attendance at the seminar is optional unless we give you at least 30 days prior written notice of the seminar, in which case you or your Manager must attend. You do not need to attend any on-going training program more than once a year. All mandatory training will be offered without charge of a tuition or fee; provided, however, you will be responsible for any and all

transportation and living expenses which are incurred in connection with attendance at the training program.

## **AREA DEVELOPMENT AGREEMENT**

**Except as listed below, Massage Green is not obligated to provide you with any assistance.**

### **Our Obligations Before the Business Opens:**

1. We will designate your territory (the "Territory"). (See Sections 3.1 and Exhibit A of the ADA).

2. Before your opening, we will provide you, and up to one of your employees ("Manager"), with one to three weeks of training (the "Initial Training Program") at our corporate headquarters or at another location in the United States which we designate at our sole discretion, some of which may be waived by us if you or your employee has relevant prior experience. Although you do not need to pay for this training, you will be responsible for paying all expenses, including travel, lodging, and employee salaries associated with attending the Initial Training Program, which we estimate to be \$150 to \$250 per day. You also may need to pay for additional training if we determine that you or your Manager have not completed the training satisfactorily. (See Section 9.1 of the ADA). This additional training will be at our corporate headquarters or at another location in the United States which we designate at our sole discretion. The length of this additional training depends on how much of the Initial Training Program we determine you or your employee have not completed satisfactorily. The current cost of this additional training is \$1,000.00 per week, plus travel and living expenses for you, which we estimate to be \$150 to \$250 per day.

3. We will give you our standards and specifications for the supplies and materials to be used in your business and for the Franchised Stores. We also give you lists of approved suppliers and approved products and specifications and standards for franchisees, the Franchise Agreements, Franchise Disclosure Documents, brochures, promotional materials and educational materials to use with franchisees. Some of these materials may be at your own cost for printing shipping and handling. You may not charge prospective franchises or franchisees for some of these materials. (See Sections 6.4, 6.7, 9.3, 9.5, 9.6, 9.8, 10.6 and 10.8 of the ADA).

4. We will loan you one copy of the Manual for Franchised Stores, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may periodically modify this Manual in our sole and absolute discretion. (See Section 9.7 through 9.9 of the ADA). The Table of Contents of the Manual, which notes the number of pages devoted to each subject, is attached as Exhibit E. The total number of pages of the Manual is approximately 151 pages. The Manual relates to the operation of a Franchised Store. There is no separate operations manual for operation of an area development franchise.

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

1. We will pay you 50% of the initial franchise fees we receive for Franchised Stores you develop in the Territory and 40% of all royalty fees actually received from Franchised Stores in the Territory. Area developer's portion of the initial franchise fees will be paid when the Franchised Store opens in full compliance with the Franchise Agreement and our standards. Area developer's portion of royalty fees will be paid by the 25<sup>th</sup> day of each month based on fees received by us in the previous calendar month. (See Sections 5.1 and 5.6 of the ADA).

2. We may, in our discretion, conduct one training seminar each year at our headquarters or at another location in the United States which we designate at our sole discretion. Attendance is optional unless we give you at least 30 days prior written notice. You need not attend more than one seminar each year. The duration of this training will be no more than 7 consecutive calendar days. There is no fee for mandatory training, other than travel and living expenses which you are responsible for, which we estimate to be \$150 to \$250 per day. (See Section 9.2 of the ADA).

3. You, or the designated Manager, must have completed the Initial Training Program. If you ever replace your Manager, we will make the Initial Training Program available to the replacement person at your expense. Our current fee for this additional training will be \$1,000.00 per week, and you will be responsible for all travel and living expenses associated with this training, which we estimate to be \$150 to \$250 per day. We reserve the right, at our sole discretion, to increase the cost of this training. (See Sections 9.1, 9.2 and 10.2 of the ADA).

4. We will give you updates of our standards and specifications for the supplies and materials to be used in your business. We also give you updates of lists of approved suppliers and approved products and specifications and standards for franchisees, the Franchise Agreements, Franchise Disclosure Documents, brochures, promotional materials and educational materials to use with franchisees. Some of these materials may be at your own cost, for printing shipping and handling. You may not charge prospective franchisees or franchisees of some of these materials. (See Sections 6.4, 6.7, 9.3, 9.5, 9.6, 9.8, 10.6 and 10.8 of the ADA).

5. We will furnish you with all leads received by us as to prospective purchasers of franchises in the Development Territory, and will furnish reasonable assistance to solicit the sale of Franchised Stores in the Development Territory and to carry out the purposes of this Agreement on a timely basis. (See Section 9.4 of the ADA).

6. We will also make reasonable efforts to comply with applicable state laws and registrations regarding the renewal, amendment and updating of the documents and state registrations. (See Sections 6.7 and 9.10 of the ADA).

## **Marketing and Promotions:**

1. You may create your own advertising and promotion materials, but the type, manner, media type, media selection and duration of any advertising developed by you must be approved by us in writing before the first use of that type and manner of advertising.

Once you are approved to offer and sell franchises, you must spend a minimum of \$1,000 per month on advertising for prospective franchisees. (See Sections 8.6, 8.7, 8.9, 8.11 and 10.3 of the ADA).

2. You must not use the Internet, or any social networks (including but not limited to facebook, Twitter, Pinterest, and Instagram), wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media or similar methods with potential local, regional, national or worldwide scope in connection with your business, except with our written consent and then only in accordance with any policies and procedures specified by us. We may maintain an Internet site and/or social media accounts for the Massage Green franchise system and allow you to participate in those Internet sites or accounts or any business generated by those Internet sites or accounts under our guidelines. (See Section 8.7 of the ADA).

### **Operations Manual:**

1. Exhibit E to this Franchise Disclosure Document is a copy of the table of contents of our Manual for Franchised Stores. There is no separate operations manual for the area development franchise.

### **Site Selection:**

1. Before you sign the ADA, both you and we must agree on a Development Territory. The Development Territory is described in the ADA. (See Sections 1.10, 3.1 and 3.2 and Exhibit A of the ADA). Our approval or disapproval of this Development Territory will be made in our sole discretion. The criteria we presently consider in approving the proposed Development Territory include your experience and financial ability to develop the Development Territory, the number of Franchised Stores you propose to develop, population, demographic makeup of residents, economic climate, and commercial establishments in the proposed Development Territory. These criteria may be periodically revised by us in our sole and absolute discretion.

2. We do not select the site or approve a site for your office. Your office will typically be in your home or, once you have a Franchised Store, in the Franchised Store. We must approve the location for all Franchise Stores in your Development Territory.

### **Typical Length of Time Before Operation:**

We do not have a typical example of the length of time between the signing of the ADA and the opening of your business. We expect it may take approximately four to six months to open your business, which includes the time it takes you to complete your Initial Training and open up at least one of your Franchised Stores after signing your ADA. Some of the factors involved in opening the Franchised Store include your business aptitude and ability to obtain a lease or purchase agreement, building permits, zoning and local ordinances, weather conditions, shortages, and delays in construction and installation of equipment, fixtures and signage.

**Training:**

The training that we provide is described in this ITEM 11. More detailed information regarding the Initial Training Program is described in the Table below:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Soliciting and Offering Franchises	3 to 6 hours	None	Our Offices or another location in the U.S.
Supervising, Site Selection and Pre-Opening Obligations	3 to 6 hours	10 to 20 hours	Our Offices or another location in the U.S.
Monitoring and Supporting Franchise Operations	3 to 6 hours	10 to 20 hours	Our Offices or another location in the U.S.
Reporting Obligations and Administration	3 to 6 hours	None	Our Offices or another location in the U.S.
Advertising and Marketing	3 to 6 hours	None	Our Offices or another location in the U.S.

Training for all subjects will take place at our corporate headquarters or another location in the U.S. specified by us in our discretion. These sessions will be scheduled as soon as possible after you sign your ADA and pay the Area Development Fee. You and/or the Manager must complete the Initial Training Program before you commence operations.

You must also complete the training listed above under the Franchise Agreement. This may be completed at or around the same time, if classes are available, as some topics overlap.

If at any time, you do not have in your employ a person who has completed the Initial Training Program, you must within 7 days designate a person who must attend and successfully complete the next available Initial Training Program. You will be responsible for the fees for any additional Initial Training Programs, which will be \$1,000.00 per week of training, and any and all traveling and living expenses incurred in connection with attendance at any additional Initial Training Programs, which we estimate to be \$150 to \$250 per day.

The primary instructional materials will be our training manual and the Manual. Michael Blum is in charge of the training program and the training staff. Mr. Blum has worked with us and in the industry since June 2012. Our other instructors for area developers have at least one year of experience in the field and at least one year of experience with Massage Green.

We may conduct one seminar annually at a location to be determined by us to discuss relevant business trends and share new information relating to Franchised Stores and your business. This seminar will not last longer than 7 consecutive calendar days. Attendance at the seminar is optional unless we give you at least 30 days prior written notice of the seminar, in which case you or your Manager must attend. You do not need to attend any on-going training

programs more than once a year. All mandatory training will be offered without charge of a tuition or fee; provided, however, you will be responsible for all transportation and living expenses which are incurred in connection with attendance at the training program. (See Sections 9.1 through 9.2 of the ADA).

We may also hold up to 4 field meetings per year at different locations we select. You and your key management staff and officer(s) must attend all of these meetings, if we provide you with 30 days prior notice. If you or your key management staff and officers fail to attend and participate in these meetings, you will be penalized \$2,500.00 for every meeting you do not attend. If you and your key management staff and officers fail to attend 2 consecutive field meetings, we can terminate the ADA. (See Section 10.22 of the ADA)

## **ITEM 12 TERRITORY**

### **FRANCHISE AGREEMENT**

You will receive a territory of an area within a three mile radius from the front door of the Franchised Location. We and our affiliates will not operate or authorize any other person to operate a Franchised Store in your territory.

You will operate the Franchised Store from a Franchised Location approved in writing by us. You may not relocate your Franchised Location without our prior written approval and before paying the relocation fee of \$5,000 if you relocate less than a mile from your existing Franchised Location, or \$10,000 if you relocate more than a mile away from your existing Franchised Location. Our approval of your relocation is at our sole discretion and you must satisfy all obligations for approval of your initial Franchised Location. Any relocation will be at your sole cost and expense. We will be under no obligation to adjust, enlarge, or redesignate the boundaries of your territory as a result of any relocation of your Franchised Store.

Except as described above, your rights are non-exclusive and we reserve the following rights: (a) to use, and to license others to use, the Proprietary Marks and System for the operation of Franchised Stores, company-owned stores or licensed stores at any location other than in your territory. Except as otherwise specifically provided, the Franchise Agreement does not restrict us or our affiliates, or grant any rights to you, with respect to the pursuit of any business concept other than Franchised Stores, or the distribution of franchised Massage Green Products or the ingredients or raw materials for any products, to wholesalers or other distribution outlets (other than Franchised Stores), or by internet commerce (e-commerce), telephone order, mail order or otherwise, whether inside or outside the Territory; (b) to use the Proprietary Marks and System in connection with the provision of other services and products or in alternative channels of distribution, whether or not nationwide, without regard to location and including within your territory; (c) to use and license the use of other proprietary marks or methods which are not the same as or confusingly similar to the Proprietary Marks at any location and including within your Territory, which may be the same as, similar to or different from the Franchised Stores; (d) to use any web sites utilizing a domain name incorporating one or more of the words "Massage Green", or any variations and you must not establish a web site on the Internet using



any domain name containing the words "MassageGreen.com", "MassageGreen.ca", "MassageGreen.net", "MassageGreen.org", "MassageGreen.edu", "MassageGreen.biz" or any "dot" suffix or any variation, including, without limitation, "MassageGreen" and any "dot" suffix. We retain the sole right to advertise on the Internet and create a web site including the name Massage Green or any variation of the name.

We may also, within your territory, establish company owned-outlets or grant other franchises if we acquire any business operating a competitive business, as defined in Section 20.1 of the Franchise Agreement, and convert this business to **MASSAGE GREEN**<sup>®</sup> Stores. We will agree, under certain conditions, to sell you these stores that may exist in your territory. The conditions include: we must determine that the sale to you will not conflict with any existing legal obligation; we must determine that the sale to you will not preclude the acquisition; we must determine that the sale to you will not interfere with any other legal arrangement or affect tax consequences in a manner adverse to the parties to the acquisition; the sale may include stores that do not meet our criteria for conversion to Franchise Stores and that you may have to close or sell to a third party after the acquisition; and you must sign a franchise agreement for each store that will be converted to a Franchised Store and convert each store as soon as practicable. Your purchase price for the stores will be the price paid by us, which will include a portion of the direct and indirect costs and liabilities incurred or assumed by us in making the acquisition, plus other expenses allocated or otherwise related to these stores (including losses from continuing operations or closing acquired locations) plus interest at our cost of money on the balance of those amounts. If you do not agree to purchase these stores within ten days of our offer or complete the purchase within 30 days of the time you accept our offer, we may operate these stores as company owned-outlets or grant others the right to operate the stores as Franchised Stores. (See Section 10 of the Franchise Agreement).

Continuation of your territory depends on your maintaining Gross Sales of \$250,000.00 for consecutive periods of 12 months. If: (a) your Gross Sales fall below this level for any consecutive period of 12 months ending on or after you have been operating at least 18 months; (b) we provide written notice within 60 days of the end of any consecutive period of 12 months to increase your sales; and (c) you do not increase your Gross Sales to \$250,000.00 or above for the next consecutive period of 12 months commencing from the time you receive the written notice, we may establish or license another person or entity to establish a Franchised Store within your territory and we may terminate your Franchise Agreement.

This Gross Sales level is not, and should not be considered, an earnings claim for your Franchised Store. We do not furnish or authorize our sales persons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a **MASSAGE GREEN**<sup>®</sup> Store. Actual results vary from unit to unit and we cannot estimate the result of any particular franchise.

Although we are not prohibited from doing so, we do not presently operate or franchise or have plans to operate or franchise any business providing products or services under different trade names or trademarks similar to or competitive with those to be offered by you.

The rights we grant to you relate only to the sale of products and services at the Franchised Location. You are not granted a minimum or maximum territory in which to operate your Franchised Store. As long as you sell products and services at your Franchised Location and you

follow our rules on advertising and solicitation of customers, you are not limited in the area from which you may draw your customers and you may advertise outside your one-mile territory. You may engage only in the retail sale of the Massage Green Products and other products and services periodically designated by Massage Green and may not engage in the wholesale sales of the Massage Green Products or offer these products and services via mail order, phone sales or over the internet, unless we provide you with written authorization.

You will not have any options, rights of first refusal or similar rights to acquire additional franchises within any specified territory or any contiguous territories. We may allow you to acquire additional franchises if you meet our qualifications in place at that time for acquiring a franchise and ownership of multiple locations. These qualifications may include standards of character, business experience, financial strength, credit standing, health, reputation, business ability, experience, availability of management personnel, etc.

Because complete and detailed uniformity under many varying conditions may not be possible or practical, we reserve the right to vary standards for any franchisee based on the peculiarity of the particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which we deem important, in our sole and absolute discretion, to the successful operation of a franchisee's business. You may not require us to grant you a similar variation under the Franchise Agreement.

If you enter into a Multi-Unit Addendum with us, you will receive a separate territory for each Franchised Store you develop and you will have the rights and obligations described above for each Franchised Store you develop. If you do not timely begin to operate a Franchised Store under a Franchise Agreement signed with the Multi-Unit Addendum, that Franchise Agreement and any other Franchise Agreements for Franchise Stores that you have not yet started to operate may be terminated and you will lose all rights in any territory covered by those Franchise Agreements.

### **AREA DEVELOPMENT AGREEMENT**

You will be granted an exclusive territory (the "Development Territory") in which to develop Franchised Stores. (See Sections 7.1, 7.2 and Exhibit B of the ADA). The Development Territory will generally be defined by a county or counties. It is our intent that the minimum Development Territory contain a population of at least 1 million and that the maximum Development Territory contain a population of no more than 5 million. The Area Development Fee (see Item 5) and the number of Franchised Stores that must be developed in the Development Territory will increase with the size of the Territory. See Item 5.

During the term of the Area Development Agreement, we will not license anyone else as a developer for the Development Territory, although we reserve certain rights as described below.

Except as described above, your rights are non-exclusive and we reserve the following rights: (a) to use, and to license others to use, the Proprietary Marks and System for the operation of Franchised Stores, company-owned stores or licensed stores at any location, including in the Development Territory (subject to your rights under the Area Development Agreement). The

Area Development Agreement does not restrict us or our affiliates, or grant any rights to the developer, with respect to the pursuit of any business concept other than Franchised Stores, or with respect to the distribution of Franchised Massage Green Products or the ingredients or raw materials for any such products, to wholesalers or other distribution outlets (other than Franchised Stores), or by internet commerce (e commerce), telephone order, mail order or otherwise, whether inside or outside the Development Territory; (b) to use the Proprietary Marks and System in connection with the provision of other services and products or in alternative channels of distribution, whether or not nationwide, without regard to location and including within the Development Territory; (c) to use and license the use of other proprietary marks or methods that are not the same as or confusingly similar to the Proprietary Marks at any location and including within the Development Territory, which may be the same as, similar to or different from the Franchised Stores; (d) to use any web sites utilizing a domain name incorporating one or more of the words “Massage Green”, “Massage Green International”, or any variations and you must not establish a web site on the Internet using any domain name containing the words “MassageGreen.com” “MassageGreen.ca”, “MassageGreen.net”, “MassageGreen.org”, “MassageGreen.edu”, “MassageGreen.biz” or any “dot” suffix or any variation, including, without limitation, “Massage Green” and any “dot” suffix. We retain the sole right to advertise on the Internet and create a web site including the name Massage Green or any variation.

You are required to develop and operate at least one Franchised Store in your Development Territory. You must not begin to offer or sell Franchised Stores to others in your Development Territory until you have opened your Franchised Store, unless we have agreed otherwise in writing. Continuation of your rights in your Development Territory depends on meeting your Development Schedule. The Development Schedule sets the timing and number of stores to develop in your Development Territory. The initial Development Schedule will be negotiated and specified in the Area Development Agreement. The Development Schedule may be amended. On each anniversary of the Area Development Agreement (including any renewals), we and you will determine a reasonable estimate of the then-current population of the Development Territory, and the total cumulative number of franchises to be developed may, in our discretion, be adjusted accordingly at the rate of one franchise per 50,000 person increase of population over the original base population of the Development Territory. We will determine the years during which the additional franchises are required to be opened and the Development Schedule will be adjusted accordingly. (See Sections 7.1, 7.2 and Exhibit B of the ADA). If you fail to meet the Development Schedule, you must pay a Shortfall Unit fee for each Franchised Store you have failed to develop (See Item 6). If at any time you fail to timely pay a Shortfall Unit payment or, if at any time you have more than two Shortfall Units, we may terminate the Area Development Agreement.

Although we will refer all leads that we receive for prospective franchisees of Franchised Stores in your Development Territory to you, we reserve the right to take the lead in recruiting and selling a Franchised Store to a prospective franchisee. If we decide to exercise that right with respect to a particular prospective franchisee, you will only engage in further sales activities with that prospective franchisee in the manner specified by us. If a Franchised Store is sold to a prospective franchisee under those circumstances, you will provide those Franchised Stores with the same services provided to Franchised Stores recruited by you and you will be entitled to share in initial and ongoing fees received from those unit franchises, except as described below.

During any time period during which you are not in compliance with the Development Schedule, we will have the right, but not the obligation, to recruit and sell Franchised Stores for operation in your Development Territory. If we recruit and sell Franchised Stores in your Development Territory under this right, we will be responsible for all costs incurred in recruiting and selling those franchises and we will retain all initial franchise fees received from those franchises and you will not share in those fees. You will provide those Franchised Stores with the same services provided to Franchised Stores recruited by you and you will be entitled to share in ongoing fees received from those Franchised Stores. Our rights described in this paragraph are in addition to any other rights we have arising from a default by you under the Development Schedule.

In addition, after you have fully complied with the Development Schedule, we will have the right, but not the obligation, to recruit and sell Franchise Stores for operation in your Development Territory. If we recruit and sell Franchised Stores in your Development Territory under this right, you will provide those Franchised Stores with all services specified for Franchised Stores recruited by you and you will be entitled to share in all ongoing fees received from those Franchised Stores.

Unless you renew the ADA (see Item 17), you will no longer have a Development Territory on the expiration or termination of the Area Development Agreement. However, each Franchised Store in good standing will retain its protected individual territory as defined in the Franchise Agreement.


You will maintain an office for your area development business, but that location may be in your home or the location of your Franchised Store. We do not have to approve the location for your office. We must, however, approve each location for a Franchised Store in your Development Territory.

Area developers do not receive any options, rights of first refusal or similar rights to acquire area development franchises in any contiguous territories. We may allow you to acquire additional area development franchises if you meet our qualifications in place at that time for acquiring an area development franchise and ownership of multiple area development franchises. These qualifications may include standards of character, business experience, financial strength, credit standing, health, reputation, business ability, experience, availability of management personnel, etc.

### **ITEM 13 TRADEMARKS**

We grant you the right to operate a business under the Proprietary Marks and other trademarks we may authorize you to use in our sole and absolute discretion. Massage Holding has granted us an exclusive, perpetual, royalty-free license (the “Trademark License”) to use the Proprietary Marks for the purpose of franchising the Massage Green System.

Pursuant to the Trademark License, we are licensed to use and claim rights to the following Proprietary Marks that are registered with the U.S. Patent and Trademark Office (USPTO):

Trademark	Registration Area	Registration No. and Date
 ®	Registration on the Principal Register of the USPTO for use on or in connection with “massage services.”	Registration Date: June 23, 2009 Registration No. 3642867
<b>MASSAGE GREEN®</b>	Registration on the Supplemental Register of the USPTO for use in connection with “massage services.”	Registration Date: July 14, 2009 Registration No. 3656131

You must follow our rules when you use any of our Proprietary Marks. You may not use any of our Proprietary Marks as part of a corporate name or with modifying words, designs, or symbols except for those that we license to you. You also must not use any Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. Guidelines regarding proper trademark use and notices are provided in the Manual and will be periodically updated in our sole and absolute discretion.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or court or any agreements that affect our ownership or ability to use or license the use of our Proprietary Marks. There is also no pending infringement, opposition or cancellation, or material litigation that affects our ownership or use of our Proprietary Marks.

You must promptly notify us after you learn about another’s use of a trademark, service mark, business name, logo, or symbol that you perceive to be identical or confusingly similar to one of our Proprietary Marks. You must also notify us of any actual or threatened action, claim or demand against you relating to the Proprietary Marks within ten days after you receive notice of that action, claim, or demand. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to our Proprietary Marks. You must also cooperate with us and sign any documents we determine are necessary to defend the Proprietary Marks.

We need not indemnify you if you are a party to an administrative or judicial proceeding involving the Proprietary Marks or if the proceeding is resolved against you.

You must add, modify, or discontinue the use of a Proprietary Mark if we instruct you to do so. If this happens, we will reimburse you for your tangible cost of changing your identifying signage but we will not be liable for any other costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Proprietary Mark. You must not directly or indirectly contest our rights to our Proprietary Marks, trade secrets, or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Proprietary Marks.

You understand that there is always a possibility that there might be one or more businesses, similar to your **MESSAGE GREEN**<sup>®</sup> Franchised Store, operating in or near the area where you may do business or otherwise, using a name and/or trademarks, service marks, names, logos, or symbols similar to our Proprietary Marks and with superior rights to the name and/or marks. We strongly urge you to research this possibility, using telephone directories, local filings and other means, before you sign the Franchise Agreement or any other documents, pay any sums or make any commitments. You also understand that if you fail to research this possibility, you may be at risk.

#### **ITEM 14**

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

We do not own any patents that are material to your franchise. We do not have any pending patent applications that are material to your franchise.

The information contained in the Manual is proprietary and is protected by copyright. The designs contained in the Proprietary Marks, including the “**MESSAGE GREEN**<sup>®</sup>” mark and the advertisements, artwork, promotional materials, labels, posters, coupons, gift certificates, signs, plans and specifications are also protected by copyright. Although we have not filed an application for copyright registration for these materials, we claim copyrights in these materials. We grant you the right to use this proprietary and copyrighted information (“Copyright Works”) in connection with your operation of the Franchised Store.

You must promptly notify us after you learn about another’s use of our Copyrighted Works or another’s use of language or a visual image that you perceive to be identical or substantially similar to one of our Copyrighted Works. You must also notify us of any actual or threatened action, claim or demand against you relating to the Copyrighted Works within ten days after you receive notice of that action, claim, or demand. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to our Copyrighted Works. You must also cooperate with us and sign any documents we determine are necessary to defend the Copyrighted Works.

We need not indemnify you if you are a party to an administrative or judicial proceeding involving the Copyrighted Works or if the proceeding is resolved against you.

You must add, modify, or discontinue the use of a Copyrighted Work if we instruct you to do so. If this happens and you must change your identifying signage, we will not be liable for any costs, expenses, or damages you incur as a result of our decision to add, modify, or discontinue use of a Copyrighted Work. You must not directly or indirectly contest our rights to our Copyright Works, trade secrets, or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Copyrighted Works.

We claim proprietary rights and trade secret protection for the entire set of knowledge of the operation of a Franchised Store and your area development business, if any, including the method of preparing and providing the Massage Green Products, the Manual, specifications,

product formulae, standards, soliciting the sale of and offering franchises, supplier sources, methods for sales and marketing, operating procedures of a Franchised Store, drawings, materials, equipment plans and specifications, techniques, systems, and other data, whether or not designated as confidential, and all other information which we designate as confidential. (See Section 14.2 of the Franchise Agreement and Section 24.6 of the ADA).

We own all records with respect to the customers, employees, and other service professionals of, and/or related to, the Franchised Store and your area development business, if any, including all databases (whether in print, electronic or other form), names, addresses, phone numbers, e-mail addresses, customer purchase records, prospective franchisees, applicants for franchises and all other records contained in the database, and all other business records created and maintained by you and may use or transfer these records in any way we wish, both before and after any termination, expiration, repurchase, transfer or otherwise. (See Section 15.7 of the Franchise Agreement and Section 24.6 of the ADA). We may contact any and/or all of your customers, suppliers and other service providers for quality control, market research and other purposes as we deem appropriate, in our sole and absolute discretion. (See Section 12.3 of the Franchise Agreement). We may also remove unapproved products and samples of other products from your Franchised Store without payment to you, in amounts reasonably necessary for testing by us or our designee to determine whether the samples meet our then current standards and specifications.

Your use of the proprietary information and trade secrets requires you to agree that you will maintain the absolute confidentiality of this information during and after the term of the franchise and you must not use any of this information in any other business or in any manner not specifically authorized or approved in writing by us, and you must not disclose any of this information to any third party unless specifically authorized by us. In addition, you must adopt and implement procedures the we periodically require to prevent unauthorized use or disclosure of this information, including requiring employees (including all Managers) and owners who have access to this information to sign nondisclosure and noncompetition agreements as we may require periodically, and provide to us, at our request, with signed copies of each of those agreements. (See Section 14.3 of the Franchise Agreement and Section 24.6 of the ADA).

**ITEM 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE**  
**FRANCHISED BUSINESS**  
**FRANCHISE AGREEMENT**

You or a designated Manager who has completed our Initial Training Program must be personally responsible for the management of the Franchised Store after commencement of Franchised Store operations and be present at the premises of, and doing work only for, the Franchised Location a minimum of 8 hours each day, 5 days each week. Your Franchised Store must be open from 9:00 a.m. to 9 p.m. (See Section 9.1(c) of the Franchise Agreement). Neither you or any owner or Manager can perform services as a director, officer, manager, employee, consultant, representative, agent, owner (of 5% or more of the voting securities or membership interests) with any of our business competitors. The Manager need not have an ownership

interest in a corporate or partnership franchisee. The Manager must sign a written agreement to maintain confidentiality of the trade secrets described in ITEM 14 and to conform with the covenants not to compete described in ITEM 17.

### **AREA DEVELOPMENT AGREEMENT**

You or a designated Manager who has completed our Initial Training Program must be personally responsible for the management of your business after commencement of operations and be present at, and doing work only for, the business a minimum of 8 hours each day, 5 days each week during operation of the business. (See Section 10.2 of the ADA). Neither you or any owner or Manager can perform services as a director, officer, manager, employee, consultant, representative, agent, owner (of 5% or more of the voting securities or membership interests) with any of our business competitors. The Manager need not have an ownership interest in a corporate or partnership form of area developer. The Manager must sign a written agreement to maintain confidentiality of the trade secrets described in ITEM 14 and to conform with the covenants not to compete described in ITEM 17. (See Sections 24.1 and 24.6 of the ADA).

### **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

#### **FRANCHISE AGREEMENT**

You must sell at the Franchised Store all types of the products and services included in the Massage Green Products and other categories of products and services that we may periodically authorize in our sole discretion. We have the right to make changes in the number and type of products and services that you must sell and there are no limits on our right to make changes in the number and type of products and services that you must sell. You must not sell any products, category of products or services that we do not authorize, nor use the premises for any purpose other than the operation of a Franchised Store. We do not restrict which retail customers you may sell to, but prohibit you from making any wholesale sales of the Massage Green Products or offering these products via mail order, phone sales or over the internet (See Section 1.1 of the Franchise Agreement).

### **AREA DEVELOPMENT AGREEMENT**

The Area Development Agreement does not authorize you to operate a Franchised Store. Those rights are only granted under the Franchise Agreement that must be signed for each Franchised Store. The Area Development Agreement authorizes you to market and develop Franchised Stores and to service Franchised Stores only in the Development Territory. You must only offer, on our behalf, our franchises and you are prohibited from offering franchises of any other business. (See Sections 24.1 and 24.2 of the ADA).



**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 in the agreements attached to this Disclosure Document.**

**FRANCHISE AGREEMENT**

Provision	Section In The Franchise Agreement	Summary
a. Length of the franchise term	Section 17.1	The term of the Franchise Agreement is ten years.
b. Renewal or extension of the term	Section 17.2	You may renew for up to one additional successive term of ten years.
c. Requirements for you to renew or extend	Section 17.2	Give notice, have complied with franchise agreement, complete upgrades if requested, sign new agreement, sign general release, pay renewal fee and provide evidence that you have the right to remain in possession of the Franchised Location for the duration of renewal term. As a condition of renewal, you may be asked to sign a franchise agreement with materially different terms and conditions than your original franchise agreement.
d. Termination by you	None	
e. Termination by Massage Green without cause	None	
f. Termination by Massage Green with cause	Sections 18.1 and 18.2	Massage Green may terminate the Franchise Agreement if you default.
g. "Cause" defined-defaults which can be cured	Section 18.2	Termination will occur if you fail to cure, within 30 days after your receipt of written notice, any default of the franchise agreement, including defaults for failure to maintain standards, unauthorized business practices, failure to get our consent when required, failure to comply with the Manual, breach of your lease or other agreement, any act harming our goodwill, and the termination of your lease.
h. "Cause" defined- defaults which cannot be cured	Section 18.1	Termination will occur immediately on your receipt of notice from us that any of the following non-curable breaches occurred: unauthorized disclosure of Manual, Trade Secrets or other confidential information; abandonment of store; bankruptcy, unsatisfied judgment, a receiver is appointed for you or proceedings for composition with creditors is instituted against you; levy or foreclosure against your business; certain criminal convictions; failure to make any payment within 30 days after receiving notice; failure to pay amounts due more than three times within a 24 month period; misuse of intellectual property or Proprietary Marks; three or more notices of noncompliance in 24 months;

Provision	Section In The Franchise Agreement	Summary
		<p>unauthorized transfer of franchise; failure to transfer after disability (see item p); understatement of revenues by 3% or more on two or more occasions; late financial reporting (5 days late, two or more times); selling unauthorized merchandise; failure to successfully complete initial training; the failure to deliver a signed lease or purchase agreement to us and obtain our approval (which is in our sole discretion), within the 180 day period after signing of the franchise agreement or the additional 10 day period (if we reject within the initial 180 day period), as required in Section 4.1; making material misrepresentations in any information provided to us before or during the term of the Franchise Agreement; failure to attend two consecutive annual conventions; failure to have trained Managers or certified therapists; failure to meet the minimum gross sales requirement for two 12-month periods.</p>
<p>i. Your obligation on termination/non-renewal</p>	<p>Section 18.4</p>	<p>Obligations include: payment of all amounts due to us or our affiliates and the Advertising Cooperative, all actual and consequential damages, costs and expenses, including reasonable attorneys’ fees and expenses, incurred by the us as a result of the default and late payment charges; the grant of a lien on your assets; discontinue the use of System and Proprietary Marks; removal of Proprietary Marks; terminate registrations and filings or appoint us attorney-in-fact to do so; return materials with Proprietary Marks; cessation of operation; returning Manuals; complying with our right to recover lost future royalties if terminated pursuant to Sections 18.1 and 18.2 of the agreement; non-competition; protection of Trade Secrets and adherence to other covenants (See item r). You also agree that you are liable for damages for future lost profits. You must also keep us advised of your current addresses and the addresses of your principals for three years following expiration or termination.</p>
<p>j. Assignment of contract by Massage Green</p>	<p>Section 16.6</p>	<p>No restrictions on Massage Green’s right to assign.</p>
<p>k. “Transfer” by you definition</p>	<p>Sections 16.1 and 16.5</p>	<p>Includes a transfer of assets, all rights under the contract, or change of ownership.</p>

<b>Provision</b>	<b>Section In The Franchise Agreement</b>	<b>Summary</b>
l. Massage Green approval of transfer	Sections 16.2 and 16.3	Massage Green must approve all transfers. Massage Green will not unreasonably withhold or delay its consent to a transfer that meets the conditions stated in the Franchise Agreement.
m. Conditions for Massage Green approval of transfer	Section 16.2	New franchisee qualifies and signs then-current agreement, transfer fee paid, transferee assumes all of your obligations, you pay all remaining amounts due, no defaults under any agreement, proposed transferee, its owners or members of their immediate family do not currently compete, you provide 60 days notice of the transfer, you sign a non-compete and you sign a release.
n. Massage Green right of first refusal to acquire your business	Section 16.4	Massage Green may match any good faith offer to purchase your Franchised Store.
o. Massage Green option to purchase your business	Section 18.3	On expiration or termination, Massage Green has the option but not the obligation to purchase your Franchised Store, which may include, at our option, your interest, if any, in and to the real estate, all structures and other improvements, including leasehold interests, and all supplies and inventory at the then-current fair market value.
p. Your death or disability	Section 16.7	Your estate may operate the franchise if the Franchised Store is not closed for more than 14 days and a manager is approved and trained and begins managing the Franchised Store within 90 days of the death or disability. If these conditions are not met, the estate must transfer the franchise within 180 days of the death or disability.
q. Non-competition covenants during the term of the franchise	Section 20.1	No involvement in competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	Section 20.2	No involvement in competing business for two years within ten mile radius of former Franchised Store or five miles from any other operating Store franchised or operated by us or any of our affiliates.
s. Modification of the agreement	Section 23.1	Modification only by written agreement between the parties.
t. Integration/merger clause	Section 23.2	Only the terms of the Franchise Agreement and its attachments are binding (subject to federal and applicable state law—see Exhibit J). We do not disclaim and you do not waive reliance on any statements in this disclosure document or in its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 22.1	Except for certain claims, all disputes must be arbitrated in Southfield, Michigan.

<b>Provision</b>	<b>Section In The Franchise Agreement</b>	<b>Summary</b>
v. Choice of forum	Sections 22.1 and 23.10	Litigation allowed under the Franchise Agreement must be in state or federal court in the State of Michigan (subject to applicable state law—see Exhibit J).
w. Choice of law	Section 23.10	Michigan law applies to the Franchise Agreement (subject to applicable state law—see Exhibit J).

### **AREA DEVELOPMENT AGREEMENT**

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the Area Development Agreement term	Section 3.4	The term of the ADA will be ten years unless otherwise negotiated by the parties.
b. Renewal or extension of the term	Section 11	You may renew for up to one additional successive term of ten years.
c. Requirements for your to renew or extend	Section 11	Not in default under the Area Development Agreement or any Franchise Agreement, provide us with one year’s notice, sign a new agreement, and pay a renewal fee. As a condition of renewal, you may be asked to sign an area development agreement with materially different terms and conditions than your original area development agreement.
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Sections 13 and 14	We can terminate you only if you are in default.
g. “Cause” defined – defaults which can be cured	Section 14	Termination will occur if you fail to cure, within 30 days after your receipt of written notice, any default of the ADA, including defaults for failure to adhere to procedures and standards, engaging in any unauthorized business or practice under our Proprietary Marks or under a name or mark which is confusingly similar to our Proprietary Marks, you fail, refuse or neglect to obtain our prior written approval or consent as required by this ADA, you breach or default under any term of any Franchise Agreement for any of your franchised locations, or any other agreement with us, our parent, subsidiaries or affiliates relating to your business or to one or more of your Franchised Store(s) and that breach or default is not cured within the time specified in that other franchise agreement or other agreement, or you fail to make Shortfall Unit payments to us or you have more than two Shortfall Units at any time.
h. “Cause” defined – defaults which cannot be cured	Section 13	You can be terminated immediately if you fail to pay any sums owed to us within 10 days of written

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
		<p>notice; you fail to furnish prospective franchisees in the Territory with the documents specified in the ADA; you abandon or surrender your business; you or your Manager are convicted or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that, in our judgment, is likely to adversely affect our reputation and the goodwill associated with the Proprietary Marks; you have received three notices of default with respect to your obligations under the ADA from us within any 24 month period, regardless of whether the defaults were cured by you; you make any sale, transfer or assignment without complying with the provisions of Section 12 of the ADA; you misuse or make unauthorized use of any Proprietary Marks or commit any act that may materially impair the goodwill associated with any Proprietary Marks; you commit the unauthorized use or disclosure of a trade secret or other Confidential Information of ours; you make a material misrepresentation to us before or after the execution of the ADA; you fail to be in material compliance with any and all state, local and federal governmental regulations that are applicable to the conduct and operation of your business; you become insolvent or are adjudicated bankrupt, or any action is taken by you, or by others against you under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors, or a receiver is appointed for you or if proceedings for a composition with creditors should be instituted against you; any material judgment (or several judgments which in the aggregate are material) are obtained against you and remain unsatisfied or of record for thirty days or longer or if execution is levied against your business or any of the property used in the operation of your business or to foreclose on any lien against assets of your business, and is not discharged or dismissed within five days or if the real or personal property of your business is sold after levy; we determine that you or your Manager(s) are unable to satisfactorily complete the Initial Training and we exercise our option to terminate the ADA; you accept any payments not disclosed to and approved by us; you commit a material breach, default or violation of another agreement with or obligation owed to us; you fail to maintain the residency requirement pursuant to the ADA; or you commit a material default or breach specified in Sections 8, 10.1, 10.2, 10.7, 10.8, 10.9, 10.13, 10.14, 10.20, 10.21, 12 or 24 of the ADA.</p>
i. Your obligations on termination/ non-renewal	Section 16	You must immediately pay all money owed by you to us and you will remain obligated for any unpaid balance on any promissory note executed in our

Provision	Section in Area Development Agreement	Summary
		<p>favor; you remain obligated to pay us for all fees resulting from transactions originating before termination, even though this income may be received after termination of this Agreement; all rights and licenses terminate; you must immediately cease to identify yourself as a current or former Massage Green Developer; you must cease all use of the Proprietary Marks; you must immediately withdraw or cancel any fictitious and trade name filings made by you which use the Proprietary Marks; you must cease using, and must sell or transfer all equipment, product, supplies, signs, catalogs, advertising and other items pertaining to System, the Proprietary Marks, and all copyrighted materials including the Manuals; you must immediately cease using all email addresses, websites, telephone numbers, telephone listings or other identifications used formerly by you in connection with the business contemplated by this Agreement and immediately transfer all of these to us (or any entity designated by us) or have the providers disconnect or shut down these if they cannot be transferred; you must immediately cease to use our know how in any business or otherwise and return to us all copies of the Operating Manuals which have been loaned to you by us; you will be deemed to have transferred and conveyed to us any rights in and to the Proprietary Marks and you will execute any documents requested by us to accomplish or confirm this; we are entitled to injunctive relief without posting a bond; you will furnish to us, within thirty days after the effective date of termination or expiration, evidence satisfactory to us of your compliance with these obligations.</p>
j. Assignment of contract by us	Section 12.6	No restriction on our right to assign.
k. "Transfer" by you definition	Sections 12.1 and 12.5	Includes a transfer of assets, all rights under the contract, or change of ownership.
l. Our approval of transfer	Sections 12.2 and 12.3	We have the right to approve all transfers in our sole discretion.
m. Conditions for our approval of transfer	Section 12.2	Proposed assignee qualifies and signs then-current agreement, transfer fee paid, transferee assumes all of your obligations, you pay all remaining amounts due, no defaults under any agreement, proposed transferee, its owners or members of their immediate family do not currently compete, you provide 30 days notice of the transfer, you sign a non-compete and you sign a release.
n. Our right of first refusal to acquire your business	Section 12.4	We may match any good faith offer to purchase your business.
o. Our option to purchase your	Section 17	We have the option, which we may exercise any time after ten years from the effective date of your

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
business		ADA, to purchase your rights under the ADA for a purchase price equal to a multiple of your royalty revenue from the Development Territory.
p. Your death or disability	Section 12.7	Your estate may operate the franchise if the Developer's business is not closed for more than 14 days and a manager is approved and trained and begins managing the Developer's business within 90 days of the death or disability. If these conditions are not met, the estate must transfer the franchise within 180 days of the death or disability.
q. Non-competition covenants during the term of the franchise	Section 24.1	No involvement in Competing Business anywhere. "Competing Business" is defined as any business operating, soliciting and/or granting franchises or licenses to operate, a business which operates, directly or indirectly, a retail service business deriving more than 10% of its Gross Sales from any type of massage therapy and (ii) any business that acts as a master franchise, area franchise, an area developer, a master developer or any other business that assists in the solicitation and/or selling of franchises of any type.
r. Non-competition covenants after the franchise is terminated or expires	Sections 24.1 and 24.2	No involvement in Competing Business for three years within fifty (50) miles of any part of the Territory or of any then currently operating Massage Green store.
s. Modification of the agreement	Section 20.1	Modification only by written agreement between the parties.
t. Integration/merger clause	Section 20.2	Only the terms of the ADA and its attachments are binding (subject to federal and applicable state law—see Exhibit J). We do not disclaim and you do not waive reliance on any statements in this disclosure document or in its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 19.1	Except for certain claims, all disputes must be arbitrated in Southfield, Michigan.
v. Choice of forum	Sections 19.1	Litigation allowed under the ADA must be in state or federal court in the State of Michigan (subject to applicable state law—see Exhibit J).
w. Choice of law	Section 20.10	Michigan law applies to the ADA (subject to applicable state law—see Exhibit J).

Applicable state law may require additional disclosures related to the information in this Franchise Disclosure Document. These additional disclosures, if any, appear in Exhibit J to this Disclosure Document.

Termination of the Franchise Agreement on bankruptcy or insolvency may not be enforceable under Federal Bankruptcy Law (11 U.S.C. §101 et seq.).

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figures to promote the sale of **MASSAGE GREEN<sup>®</sup>** Franchised Stores.

**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.

The following information is provided for the purpose of helping you evaluate the potential earnings capability of a Massage Green<sup>®</sup> Store. Please carefully read all information in this Item 19, including the notes following the table, which explain the information and the limitations on the information contained in this Item 19.

As of December 31, 2012 there were 14 Massage Green<sup>®</sup> Stores in operation; 8 were operated by independent franchisees and 6 were operated by entities affiliated with us. The information in the table is based on sales and expenses for the calendar year 2012 for the 4 Massage Green<sup>®</sup> Stores that, as of December 31, 2012, had been in operation for at least 24 full calendar months. Of the 4 Stores, 1 was operated by an independent franchisee and 3 were operated by entities affiliated with us. The Store operated by an independent franchisee is the only Store operated by an independent franchisee that has been open for more than 12 months. All 4 of the Stores have been open for more than 36 months.

**2012 Sales and Expense Information for  
4 Massage Green<sup>®</sup> Stores Open at Least 24 Months**

Category	Michigan Store		Michigan Store		Texas Store		Florida Store	
	Amount	%	Amount	%	Amount	%	Amount	%
Sales	\$640,857	90.04	\$823,396	92.67	\$665,685	95.06	\$572,202	95.96
Gift Card Sales	\$70,852	9.96	\$65,162	7.33	\$34,578	4.94	\$23,120	4.04
Total Sales	\$711,710	100	\$888,558	100	\$700,263	100	\$593,322	100



Category	Michigan Store		Michigan Store		Texas Store		Florida Store	
	Amount	%	Amount	%	Amount	%	Amount	%
All Payroll	\$375,813	52.80	\$502,479	56.55	\$433,206	61.86	\$330,712	55.55
Rent	\$55,000	7.73	\$45,600	5.13	\$73,750	10.53	\$78,375	13.17
Utilities	\$7,412	1.04	\$12,228	1.38	\$5,176	0.74	\$5,823	0.98
Telephone	\$2,816	0.40	\$6,357	0.72	\$3,725	0.53	\$1,809	0.30
Advertising	\$22,760	3.20	\$26,871	3.02	\$11,172	1.60	\$19,598	3.29
Credit Card Fees	\$14,602	2.05	\$16,102	1.81	\$23,581	3.37	\$19,573	3.29
Supplies	\$13,696	1.92	\$14,560	1.64	\$14,404	2.06	\$5,698	0.96
Royalties (5%)	\$35,585	5.00	\$44,428	5.00	\$35,013	5.00	\$29,766	5.00

### Notes to Table

1. The figures in the table reflect, in part, information reported to us by an independent owner of a Massage Green<sup>®</sup> Store. We do not know if the figures reported to us were audited or whether they were prepared in accordance with generally accepted accounting principles (GAAP). We have not independently audited the figures. The figures from the Stores operated by entities affiliated with us were not audited, but we believe they were prepared in accordance with GAAP.
2. The information in the table is a compilation of information from existing Massage Green<sup>®</sup> Stores and should not be considered as the actual results that will be realized by you. The sales and expense information does not reflect the actual potential net income of a Massage Green<sup>®</sup> Store and should not be relied on in calculating profitability. There are a number of fixed and variable costs associated with the development and operation of a Massage Green<sup>®</sup> Store that are not reflected in the table and that vary among individual Massage Green<sup>®</sup> Stores. These expenses, which are likely to be significant, include, but are not limited to, the following: costs described in Items 6 and 7 of this Franchise Disclosure Document; other occupancy costs; other employee costs; taxes; insurance; repairs and maintenance; additional royalty and advertising expenses; interest or finance charges if you finance some or all of the cost of the franchise; depreciation on property and equipment; accounting and legal fees and general administrative expenses; any pre-opening or amortization of organization costs; costs associated with regulatory compliance; and management costs. We strongly encourage you to consult with your financial advisors in reviewing the information in this Item 19, in particular, in estimating the categories and amount of expenses you will incur in establishing and operating a Massage Green<sup>®</sup> Store.
3. You should be aware that the financial performance of any particular Massage Green<sup>®</sup> Store might be affected by a number of factors that may vary due to the individual characteristics of the Massage Green<sup>®</sup> Store. These factors include, but are not limited to: competition from other businesses; appreciation and acceptance of the products and services offered by your franchise in the community in which your franchise is located; your experience; the quality and effectiveness of your managerial skills; and your

decisions with respect to location, additional advertising programs, personnel and cost controls; geographic and socioeconomic conditions in you locality; business cycles; and the performance of the local, national and world economy.

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

**Some Stores have achieved the sales and expense amounts described above in this Item. Your individual results may differ. There is no assurance that you will achieve the same sales and expense amounts.**

#### Financial Information for Specific Operating Units

We may give a prospective franchisee who is seeking to buy a specific operating unit, whether owned by us, an affiliate or another franchisee, actual operating results of that unit.

**Even if you achieve or exceed the average Store sales and expenses described in this Item, there is no guaranty that your Store will be profitable. We do not represent or guaranty that your Store will be profitable.**

We recommend that you make your own independent investigation to determine whether or not the franchise may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Store.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Allie Mallad at 29657 Orchard Lake Road, Farmington Hills, Michigan 48334 or [allie@massagegreen.com](mailto:allie@massagegreen.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2010 to 2012**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2010	1	1	0
	2011	1	1	0
	2012	1	3	+2
Company-Owned	2010	4	3	-1
	2011	3	5	+2
	2012	5	20	+15
<b>Total Outlets</b>	<b>2010</b>	<b>5</b>	<b>4</b>	<b>-1</b>
	<b>2011</b>	<b>4</b>	<b>6</b>	<b>+2</b>
	<b>2012</b>	<b>6</b>	<b>23</b>	<b>+17</b>

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2010 to 2012**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2010	0
	2011	0
	2012	0
Florida	2010	0
	2011	0
	2012	0
Michigan	2010	0
	2011	0
	2012	0
<b>Totals</b>	<b>2010</b>	<b>0</b>
	<b>2011</b>	<b>0</b>
	<b>2012</b>	<b>0</b>

**Table No. 3a**  
**Status of Franchised Outlets**  
**For Years 2010 to 2012**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of Year
California	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
Florida	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
Michigan	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
<b>Totals</b>	<b>2010</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2011</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2012</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

**Table No. 3-b**  
**Status of Area Developers**  
**For Years 2010 to 2012**

State	Year	AD's at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations-Other Reasons	AD's at End of Year
California	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	4	0	0	0	0	4
Texas	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
<b>Totals</b>	<b>2010</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2011</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2012</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2010 to 2012**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2010	0	0	0	0	0	0
	2011	0	2	0	0	0	2
	2012	2	4	0	0	0	6
Illinois	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	2012	0	1	0	0	0	1
Michigan	2010	1	1	0	0	0	2
	2011	2	0	0	0	0	2
	2012	2	10	0	0	0	12
Texas	2010	3	0	0	2	0	1
	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
<b>Totals</b>	<b>2010</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>
	<b>2011</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2012</b>	<b>5</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>

The Outlets referred to as Company-Owned outlets are operated by entities affiliated with us.

**Table No. 5a**  
**Projected Openings as of December 31, 2012**

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	4	10	10
Florida	0	2	0
Illinois	0	2	5
Michigan	1	2	10
Texas	2	4	2
<b>Totals</b>	<b>7</b>	<b>20</b>	<b>27</b>

**Table No. 5-b**  
**Projected Area Developer Openings as of December 31, 2012**

State	Area Development Agreements Signed But First Outlet Not Open	Projected Area Developers in the Next Fiscal Year
California	4	
Texas	1	
<b>Totals</b>	<b>5</b>	

The information in the tables in this Item 20 is as of December 31st of each year.

The names, addresses and telephone numbers of all Franchised Stores and Company-Owned Stores owned by us and our affiliates, and Area Developers as of the date of this Disclosure Document are listed on Exhibit F. A list of the name, city and state, and current business telephone number, or if unknown, the last know home telephone number of every franchisee who has had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the calendar year 2012 or who has not communicated with us within ten weeks of the Disclosure Document issuance date is attached as Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

There are no trademark-specific franchisee organizations associated with our Franchise System that have been created, sponsored or endorsed by us or that have asked to be included in our Disclosure Document.

## **ITEM 21**

### **FINANCIAL STATEMENTS**

Our financial statements listed below are attached as Exhibit H.

- Audited Balance Sheets as of December 31, 2012, 2011 and 2010 and the related statements of Operations and Cash Flows for the years ending December 31, 2012, 2011 and 2010.

## **ITEM 22 CONTRACTS**

The following contracts are attached to this Franchise Disclosure Document:

- Exhibit A—Franchise Agreement (FA)
  - Exhibit A to FA—Addendum to Franchise Agreement
  - Exhibit B to FA—Guaranty and Assumption of Obligations
  - Exhibit C to FA—Legal Entity Form
  - Exhibit D to FA—Authorization for Electronic Debits
  - Exhibit E to FA—Collateral Assignment of Telephone Numbers, Telephone Listings and Domain Names
- Exhibit B—Multi-Unit Addendum to Franchise Agreements
- Exhibit C—Area Development Agreement (ADA)
  - Exhibit A to ADA—Territory
  - Exhibit B to ADA—Development Schedule
  - Exhibit C to ADA—Form of FA
  - Exhibit D to ADA—Guaranty and Assumption of Obligations
  - Exhibit E to ADA—Legal Entity Form
- Exhibit I—Acknowledgment Statement
- Exhibit J—State Specific Addenda

## **ITEM 23 RECEIPTS**

Two copies of a Receipt that acknowledges your receipt of this Franchise Disclosure Document, including all Exhibits, are attached as Exhibit K. You must date and sign one copy of the Receipt and deliver it to us.

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT A**

**FRANCHISE AGREEMENT**



**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**

**FRANCHISE AGREEMENT**

Franchise #: \_\_\_\_\_

Franchisee:

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

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**EXHIBITS:**

- A.    Addendum to Massage Green International Franchise Corp. Franchise Agreement
- B.    Guaranty and Assumption of Franchisee’s Obligations
- C.    Legal Entity Form
- D.    Authorization Agreement for Prearranged Payments
- E.    Collateral Assignment of Telephone Numbers, Telephone Listings,  
and Domain Names

**MESSAGE GREEN<sup>®</sup> INTERNATIONAL FRANCHISE CORP.**  
**FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (the “Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MESSAGE GREEN INTERNATIONAL FRANCHISE CORP., a Michigan corporation, located at 29657 Orchard Lake Road, Farmington Hills, MI 48334 (the “Franchisor”) and \_\_\_\_\_ at \_\_\_\_\_ (the “Franchisee”).

**RECITALS**

**WHEREAS**, Franchisor, with the help of its parent corporation, Massage Green Holdings Inc. (“MGH”), and its Affiliate corporation, Massage Green Distributing Inc., (“MGD”), over a period of time and as the result of the expenditure of time, expertise, effort and money: (i) has developed and owns a system relating to the establishment, development and operation of a retail facility (a “Franchised Store”) providing on premises massage therapy, on premises lifestyle education classes, and environmentally conscious health and beauty take out items and products (the products and services authorized and directed for sale at a Franchised Store are referred to as the “Massage Green Products”), all prepared and provided in accordance with specified systems and procedures (the “System”); and (ii) has developed certain presentation, packaging and marketing standards and techniques for all items and merchandise bearing the Proprietary Marks (as defined below) which may be introduced into the System;

**WHEREAS**, the characteristics of the System include: (i) the Proprietary Marks (as defined below); (ii) an approved exterior and interior design, layout and color scheme; (iii) approved signage, decorations, furnishings and materials; (iv) methods, procedures and formulations for certain Massage Green Products; (v) the confidential Operations Manual, defined in Section 7.1 below; (vi) the Massage Green Products; (vii) operating procedures for sanitation and maintenance; and (viii) methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising, all of which may be changed, improved and further developed by Franchisor from time to time at its sole discretion;

**WHEREAS**, Franchisor and/or MGH own the rights, title and interest together with all the goodwill connected thereto in and to the trademarks **Massage Green<sup>®</sup>** and other trademarks and such other trade names, service marks and trademarks as are now designated and may hereinafter be designated by Franchisor in writing, and at its sole discretion, as part of the System (the “Proprietary Marks”), and has licensed Franchisor to use and to sublicense Franchisor’s franchisees to use the Proprietary Marks in the operation of Franchised Stores;

**WHEREAS**, Franchisor and MGH may continue to develop, use and control such Proprietary Marks for the benefit and use of Franchisor and Franchisor’s franchisees in order to identify for the public the source of products and services marketed thereunder and to represent

the System's high standards of quality regarding Massage Green Products, operations, appearance and service;

**WHEREAS**, Franchisor grants franchises to own and operate Franchised Stores offering on premises massage therapy, on premises lifestyle education classes, and environmentally conscious health and beauty take out items and products authorized and approved by Franchisor, at its sole discretion, and utilizing the System and Proprietary Marks;

**WHEREAS**, Franchisee desires to operate a **Massage Green**<sup>®</sup> Franchised Store using the System and Proprietary Marks and has applied for a franchise, which application has been approved by Franchisor in reliance upon all of the representations made therein;

**WHEREAS**, Franchisee understands and acknowledges the importance of Franchisor's approved standards of quality, operations and customer service and the necessity of operating the Franchised Store in conformity with Franchisor's standards and specifications;

**WHEREAS**, Franchisor expressly disclaims the making of and Franchisee acknowledges that it has not received nor relied upon any warranty or guarantee, express or implied, or any other statement or representation as to the revenues, profits or success of the business venture contemplated by this Agreement. Franchisee acknowledges that it has read and understands this Agreement and Franchisor's Franchise Disclosure Document and has been given the opportunity to consult with advisors, including attorneys, consultants and accountants regarding this Agreement and Franchisor's Franchise Disclosure Document; and

**WHEREAS**, all parties acknowledge the importance of continuing goodwill toward the System, maintaining the products and services, and performing this Agreement according to its terms.

**NOW, THEREFORE**, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, which the parties acknowledge and agree is adequate consideration, hereby agree as follows:

## **1 FRANCHISE GRANT: TERM AND LOCATION**

1.1 Grant, Term and Location. Subject to the terms of this Agreement, the Franchisor grants to the Franchisee, and the Franchisee accepts from the Franchisor, the right to use the Proprietary Marks and System in connection with the establishment and operation of an in-person retail Franchised Store, solely at the location described in Section 4.1 of this Agreement (the "Franchised Location") within the Target Area described in Exhibit A attached hereto for the Term set forth in Section 17.1 of this Agreement, commencing on the date of this Agreement (the "Term"). Franchisee shall not make any wholesale sales of the Massage Green Products or offer such products via mail order, phone sales or over the internet. The Franchisee agrees to use the Proprietary Marks and System, as they may be changed, and further developed by the Franchisor from time to time and at its sole discretion, only in accordance with the terms and conditions of this Agreement. The rights that are granted to the Franchisee are for the specific Franchised Location described in Section 4.1 of this Agreement and the Territory, defined in Section 2.1 of this Agreement, and cannot be transferred to any other Franchised Location

(“Alternative Franchised Location”) without the prior written approval of the Franchisor, which such approval or disapproval shall be at the sole discretion of the Franchisor, even if Franchisee has satisfied all of the obligations set forth in Section 1.2. The Proprietary Marks and System are licensed to the Franchisee solely for the operation of the Franchised Store only at the Franchised Location. The Franchisee may not make any other use of the Proprietary Marks without the prior written consent of the Franchisor, which such consent or rejection shall be at the sole discretion of the Franchisor.

1.2 Alternative Franchised Location. In the event that Franchisee desires to transfer this franchise to another location, Franchisee shall submit a non-refundable Relocation Fee of Five Thousand Dollars (\$5,000.00) for proposed Alternative Franchised Locations within one (1) mile from the front door of the existing Franchised Location and Ten Thousand Dollars (\$10,000.00) for proposed Alternative Franchised Locations more one (1) mile from the front door of the existing Franchised Location, and again satisfy all obligations and requirements relating to the approval, equipping and opening of a Franchised Location, including, without limitation, those set forth in Sections 4 and 11.1 of this Agreement, and continue to satisfy all other obligations set forth in this Agreement. In addition, such transfer may not result in the cessation of operations of Franchised Store for more than twenty-four (24) hours.

1.3 Franchisee Acknowledgment. The Franchisee agrees at all times to faithfully, honestly and diligently perform the Franchisee’s obligations hereunder, and to continuously exert its best efforts to carry out its obligations hereunder to promote and enhance the business of the Franchised Store and the goodwill of the Proprietary Marks, and not engage in any other business activity which conflicts, or may conflict, with the Franchisee’s obligations under this Agreement. The Franchisee agrees to utilize the Proprietary Marks and System to operate the business franchised hereunder in accordance with the methods and systems developed and prescribed from time to time by the Franchisor, in its sole discretion, all of which are a part of the System. The Franchisee’s Franchised Store shall offer all products and services as the Franchisor shall designate or require, which shall include, without limitation, retail services consisting of massage therapy and lifestyle education classes, and environmentally conscious health and beauty take out items and products provided through a holistic outlet with a theme, decor and trade dress prescribed by Franchisor at its sole discretion. The Franchisee shall implement any additions or changes to the products and services offered by its Franchised Store as may be required by the Franchisor at its sole discretion.

1.4 Franchisee’s Statements. This franchise is being granted based on the application, financial statements and other documentation submitted by Franchisee to the Franchisor prior to the execution of the Agreement. Franchisee represents and warrants that such information: (a) is accurate and complete as of the time submitted; (b) does not omit any other statement of material fact which would render the information submitted misleading; and (c) there have been no material changes relating to the information submitted between the time submitted and the date of this Agreement.

## 2 TERRITORY

2.1 Territory. During the Term for so long as the Franchisee is in compliance with all of its obligations hereunder and meets the minimum sales requirements set forth in Section 2.2 below, except as otherwise provided in this Agreement, and subject to the Franchisor's reservation of rights as set forth in Section 2.3 below:

(a) Neither the Franchisor nor any "Affiliate" (as defined below) will establish or license another person or entity to establish a Franchised Store within the area within a three (3) mile radius from the front door of the Franchised Location (the "Territory"), except as permitted in Sections 2.2, 2.3 and 10.1 of this Agreement. For purposes of this Agreement, "Affiliate" is defined as any person or entity which controls, is controlled by, or is in common control with, the Franchisor.

(b) Franchisee understands and agrees that its license is nonexclusive to the extent that Franchisor has and retains all rights under this Franchise Agreement: (i) to develop and establish other franchise systems for the same, similar, or different products or services utilizing proprietary marks not now or hereafter designated as part of the System license by this Franchise Agreement, and to grant licenses thereto, without providing Franchisee any right therein. Similar products and services includes competing, interchangeable or substitute products, but not products or services which are part of the Massage Green Products; and (ii) to open, operate, sell, manage and/or license Franchised Stores outside the Territory.

2.2 Minimum Sales Requirement. If Franchisee's Gross Sales, generated from or through its Franchised Store at the Franchised Location, fall below Two Hundred Fifty Thousand Dollars (\$250,000.00) for any consecutive period of twelve (12) months ending on or after Franchisee has been open for at least 18 months, Franchisor may provide written notice to Franchisee within sixty (60) days of the end of the consecutive period of twelve (12) months to increase its Gross Sales to Two Hundred Fifty Thousand Dollars (\$250,000.00) or above for the next twelve (12) month period. If Franchisee does not increase its Gross Sales, generated from or through its Franchised Store at the Franchised Location to Two Hundred Fifty Thousand Dollars (\$250,000.00) or above for the next consecutive period of twelve (12) months commencing from the time it receives the written notice from Franchisor, then: (a) Franchisor or its Affiliate may establish or license another person or entity to establish a Franchised Store within the Territory; and/or (b) Franchisor may terminate this Agreement under Section 18.1 of this Agreement.

2.3 Franchisor's Reservation of Rights. The Franchisee acknowledges that the franchise granted hereunder is non-exclusive and that the Franchisor and its Affiliates retain the exclusive right, among others:

(a) to use, and to license others to use, the Proprietary Marks and System for the operation of Franchised Stores, company-owned stores or licensed stores at any location other than in the Territory. Except as otherwise specifically provided in this Agreement, this Agreement shall not restrict the Franchisor or its Affiliates, or grant any

rights to the Franchisee: (i) with respect to the pursuit of any business concept other than Franchised Stores; or (ii) the distribution of Franchised Massage Green Products or the ingredients or raw materials for any such products, to wholesalers or other distribution outlets (other than Franchised Stores), or by internet commerce (e-commerce), telephone order, mail order or otherwise, whether inside or outside the Territory;

(b) to use the Proprietary Marks and System in connection with the provision of other services and products or in alternative channels of distribution, whether or not nationwide, without regard to location and including within the Territory;

(c) to use and license the use of other proprietary marks or methods which are not the same as or confusingly similar to the Proprietary Marks at any location and including within the Territory, which may be the same as, similar to or different from the Franchised Stores;

(d) to use any web sites utilizing a domain name incorporating one or more of the words "Massage Green", or any variations thereof and Franchisee further agrees that it shall not establish a web site on the Internet using any domain name containing the words "MassageGreen.com", "MassageGreen.ca", "MassageGreen.net", "MassageGreen.org", "MassageGreen.edu", "MassageGreen.biz" or any "dot" suffix or any variation thereof, including, without limitation, "MassageGreen" and any "dot" suffix. The Franchisor retains the sole right to advertise on the Internet and create a web site including the name Massage Green or any variation thereof. The Franchisee acknowledges that Franchisor is the owner of all right, title and interest in and to such domain names and any other domain names as Franchisor shall designate in its sole discretion in the Operations Manual. Franchisor retains the right to pre-approve Franchisee's use of linking and framing between the Franchisee's web pages and all other web sites. The Franchisee shall, within five (5) days, dismantle any frames and links between the Franchisee's web pages and any other web sites, if and as requested by Franchisor.

### **3 FEES**

3.1 Initial Franchise Fee. The Franchisee agrees to pay to the Franchisor an initial franchise fee ("Initial Franchise Fee") in the amount of Forty-Five Thousand Dollars (\$45,000.00). The Franchisee acknowledges and agrees that the Initial Franchise Fee represents payment for the initial grant of the rights to use the Proprietary Marks and the System at a single Franchised Store, that the Franchisor has earned the Initial Franchise Fee upon receipt thereof and that the fee is under no circumstances refundable to the Franchisee after it is paid, unless otherwise specifically set forth herein, and the Initial Franchise Fee is paid to compensate the Franchisor for various services provided to the Franchisee, including but not limited to providing initial training and furnishing plans and specifications for the Franchised Store and inspecting the Franchised Store prior to opening.

3.2 Royalty Fee. The Franchisee agrees to pay to the Franchisor a weekly royalty ("Royalty Fee") equal to six percent (6%) of the total amount of its Gross Sales, generated from



or through its Franchised Store. As used in this Agreement, the term “Gross Sales” shall mean and include the gross revenue from all sales of Massage Green Products and all other products and services sold or performed by or for Franchisee or the Franchised Store in, at, from, or away from the Franchised Store, or through or by means of the business conducted pursuant to this Agreement, whether for cash or credit, including any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent such claim is paid by the insurer, but excluding: (a) all sales or service taxes collected from customers and paid or payable to the appropriate taxing authority; and (b) all customer refunds, valid discounts and coupons, and credits made by the Franchised Store (such exclusions shall not include any reductions for credit card user fees, returned checks or reserves for bad debts or doubtful accounts). Gross Sales shall also include any rebates or payments from vendors, the fair market value of any services or products received by the Franchisee in barter or exchange for its services and products and all insurance proceeds received by Franchisee for loss of business due to a casualty or similar event at the Franchised Location.

The Royalty Fee shall be payable each Monday based on Gross Sales in the preceding calendar week (the “Reporting Period”), or as Franchisor may designate in writing at its sole discretion. The Royalty Fee is paid, in part, to compensate Franchisor for various services provided to Franchisee after the Franchised Store opens, including, but not limited to, quality, service, and cleanliness inspections and for the continuing right to use the System and Proprietary Marks as provided for herein. Franchisor, at its sole discretion, upon written notice to Franchisee shall have the right to change the timing of Franchisee’s payments of Royalty Fees and other Fees due under this Agreement. Franchisee shall not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder. Each payment of Royalty Fees shall be accompanied by a report, in a form approved by Franchisor, reflecting the calculation of the amount of the Royalty Fee remitted as well as such other information as Franchisor requires from time to time (a “Royalty Fee Reporting Form”). Franchisor may, at its sole discretion, require that the Royalty Fee Reporting Form be transmitted electronically and that Franchisee purchase and use all hardware and software, including, without limitation, computer cash register systems, to facilitate such reporting.

3.3 Late Fees and Interest. All fees and other amounts which Franchisee owes to Franchisor or its Affiliates, and which are not paid and/or electronically transferred to Franchisor at the time they are due in accordance with this Agreement, shall incur a late fee of One Hundred Dollars (\$100.00) and shall bear interest after the due date for the number of days which such payment is overdue at a rate equal to the lesser of: (a) eighteen percent (18%) per annum; or (b) the highest legal rate permitted by applicable law. Franchisee acknowledges that this Section shall not constitute Franchisor’s agreement to accept such payments after same are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee’s operation of the Franchised Store. Further, Franchisee acknowledges that failure to pay all such amounts when due shall, notwithstanding the provisions of this Section, constitute grounds for termination of this Agreement, as provided in this Agreement. If the Franchisee pays the Royalty Fee or any other amount owed to Franchisor with a check returned for non-sufficient funds more than one time in any calendar year, in addition to all other remedies which may be available, the Franchisor shall have the right to require that Royalty Fee payments be made by certified or cashier’s checks. If the Franchisee fails to pay or transfer the Royalty Fee by the due date two

times during the Term, in addition to all other remedies which may be available, the Franchisor reserves the right to require, in its sole discretion, that the Franchisee pay the Royalty Fee more frequently than on a weekly basis.

3.4 Electronic Funds Transfer. Franchisee must allow Franchisor to automatically collect fees and other amounts due to Franchisor hereunder and to Franchisor's Affiliates, including, without limitation, MGH and MGD, via preauthorized automatic electronic funds transfer or other similar means utilizing a Franchisor approved computer system or otherwise. Franchisee agrees to comply with procedures specified by Franchisor and/or perform such acts and deliver and execute all such documents, including authorization (in the form attached hereto as **Exhibit D** or such other form as Franchisor shall designate in its sole discretion) for direct debits from one or more accounts that Franchisee shall open up at one or more financial institutions designated by Franchisor ("Designated Accounts"), as may be necessary to assist in or accomplish payment by such method. Under this procedure Franchisee shall authorize Franchisor to initiate debit entries and/or credit correction entries to the Designated Accounts for payments of fees and other amounts payable to Franchisor and any interest charged due thereon. Franchisee shall ensure that adequate funds are available to Franchisor for withdrawal by electronic funds transfer no later than the due date for payment therefore. If Franchisee has not timely reported the Franchised Store's Gross Sales to Franchisor for any Reporting Period, then Franchisor shall be authorized, at Franchisor's sole option, to debit Franchisee's account in an amount equal to (a) the fees transferred from the Designated Accounts for the last Reporting Period for which a report of the Franchised Store's Gross Sales was provided to Franchisor as required hereunder or (b) the amount due based on information retrieved from the Franchisor approved computer system. Franchisee shall deposit all Gross Sales into the Designated Accounts. If the funds in the Designated Accounts are insufficient to pay the any fees or amounts due, Franchisee shall pay a fee of the greater of Forty-Five Dollars (\$45.00) or the actual bank charges for each instance for which such funds are insufficient to pay the any fees or amounts due and Franchisor may require Franchisee to pay any fees or amounts due by means other than automatic electronic funds transfer.

3.5 Mystery Shopper Fee. Franchisee shall pay a mystery shopper fee in the amount of One Hundred Twenty Five Dollars (\$125.00) per month. This fee must be paid by the 10<sup>th</sup> day of each month and is not refundable. Franchisor will use this fee to administer or have a third party administer a program to evaluate and report on the operations of Franchisee and other franchisees and to otherwise support the uniformity and quality of operations of Franchised Stores. This program may involve the use of mystery shoppers and other techniques for evaluating and reporting on operations. Franchisee shall not take any actions that will interfere with this program or the actions duties of mystery shoppers.

3.6 Annual Convention Fee. Franchisee shall pay an annual convention fee of \$199 each year. This fee is payable annually within 30 days of receipt of an invoice from Franchisor, whether or not Franchisee attends the annual convention, unless Franchisor does not conduct an annual convention in the applicable year.

#### 4 STANDARDS OF UNIFORMITY OF OPERATIONS

4.1 Lease or Purchase Agreement Approval. The “Franchised Location” shall be that location specified by address and, if applicable, suite or space number, described in the final executed lease or purchase agreement for the Franchised Store to be located within the Territory approved by Franchisor pursuant to this Section 4.1. The Franchisee shall obtain the Franchisor’s prior written approval, which is in Franchisor’s sole discretion, before executing any lease or purchase agreement for the Franchised Location. Unless otherwise agreed to in writing by the Franchisor, any lease for the Franchised Location shall: (a) provide for notice to the Franchisor of, and the Franchisor’s right, but not its obligation, to cure, the Franchisee’s default under said lease or sublease; (b) provide for the Franchisee’s right to assign its interest under said lease or sublease to the Franchisor, and the Franchisor’s right, but not obligation, to succeed in Franchisee’s rights under the lease in the event Franchisee defaults or otherwise terminates the lease, without the lessor’s or sublessor’s consent; (c) include the right to reassign to Franchisee’s successor, including, without limitation, Franchisor or its parent or Affiliate, or another franchisee, without Landlord’s consent; (d) that the Franchisor shall not be obligated to pay any monies due to the Landlord from the Franchisee, as such costs shall be the sole obligation of Franchisee; and (e) such other reasonable terms as the Franchisor may require. Unless otherwise agreed in writing by the Franchisor and the Franchisee, the Franchisee shall deliver to the Franchisor an executed lease or purchase agreement within one hundred eighty (180) days after the execution of this Agreement, which shall provide that it is subject to Franchisor’s approval, which such approval or disapproval shall be at the sole discretion of the Franchisor and may not be in the Territory of another franchisee. Franchisor shall then have ten (10) days to approve or disapprove the executed lease or purchase agreement and shall notify the Franchisee in writing of its decision. If the executed lease or purchase agreement is disapproved by the Franchisor, the Franchisee shall have an additional period of ten (10) days to provide an alternative executed lease or purchase agreement, subject to the same terms and conditions of this Section 4.1. If the Franchisee fails to deliver to the Franchisor this executed lease or purchase agreement within such one hundred eighty (180) day time period or, if applicable, the additional ten (10) day period, the Franchisor may terminate this Agreement in accordance with Article 18 hereof. The Franchisee further agrees that it will not execute or agree to any modification of the lease or sublease without the prior written approval of the Franchisor. If the Franchisee shall have failed to obtain lawful possession of an approved site (through acquisition or lease) within sixty (60) days after delivery of Franchisor’s approval thereof, Franchisor may, at its sole discretion, withdraw approval of the site.

(a) NEITHER THE FRANCHISOR’S ACCEPTANCE OF THE FRANCHISED LOCATION NOR ANY INFORMATION COMMUNICATED TO FRANCHISEE REGARDING THE FRANCHISOR’S SITE SELECTION CRITERIA FOR THE FRANCHISED STORE SHALL CONSTITUTE A WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE SUITABILITY OR SUCCESS OF THE LOCATION FOR A MASSAGE GREEN STORE OR FOR ANY OTHER PURPOSE. THE FRANCHISOR’S ACCEPTANCE OF THE PROPOSED SITE MERELY SIGNIFIES THAT IT IS WILLING TO GRANT A FRANCHISE FOR A MASSAGE GREEN STORE FOR SUCH LOCATION. THE FRANCHISOR IS NOT RESPONSIBLE FOR THE FAILURE OF THE LOCATION

TO MEET FRANCHISEE'S EXPECTATIONS AS TO POTENTIAL REVENUES OR ABILITY TO COMPLY WITH LAWS APPLICABLE TO THE USE OF THAT LOCATION. FRANCHISEE'S DECISION TO OPERATE A MASSAGE GREEN STORE AT THE LOCATION IS BASED SOLELY ON FRANCHISEE'S INDEPENDENT INVESTIGATION OF THE SUITABILITY OF THE LOCATION FOR A MASSAGE GREEN STORE.

4.2 Design and Build-Out. The Franchisee shall design, build-out and decorate the Franchised Location in accordance with the Franchisor's plans and specifications, which shall be determined at Franchisor's sole discretion, and obtain the Franchisor's prior written consent to any design, build-out or decoration of the premises which such approval or disapproval shall be at the sole discretion of the Franchisor. The Franchisor has the right, at its sole discretion, to designate and require Franchisees to use approved architects for the design and/or build-out of Franchised Locations. These and any related costs are the Franchisee's sole responsibility.

4.3 Signs. The **Massage Green**<sup>®</sup> name will only be erected and displayed in the manner and at such locations as are approved and authorized by the Franchisor at its sole discretion. The Franchisee shall purchase or otherwise obtain for use at the Franchised Location and in connection with the Franchised Store signs which comply with the standards and specifications determined by Franchisor in its sole discretion. It is the Franchisee's sole responsibility to insure that any signs comply with applicable landlord rules and any applicable federal state or local laws, regulations, ordinances, building codes and zoning regulations. Any modifications to the Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to the Franchisor for prior written approval which such approval or disapproval shall be at the sole discretion of the Franchisor. The Franchisee acknowledges the Proprietary Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with the Franchisor's standards and specifications and only with the prior written approval of the Franchisor which such approval or disapproval shall be at the sole discretion of the Franchisor.

4.4 Equipment and Software. Only equipment and software approved by the Franchisor which meets the criteria and performance standards of the System may be used at the Franchised Location. The Franchisee shall purchase or otherwise obtain for use or sale at the Franchised Location and in connection with the Franchised Store equipment and software of a type and in an amount which complies with the standards and specifications of the Franchisor and from suppliers designated by the Franchisor in its sole discretion, which may, for certain equipment and software, include only the Franchisor or its Affiliates. The Franchisee acknowledges that the type, quality, configuration, capability and/or performance of the equipment are all standards and specifications which are a part of the System and therefore such equipment must be purchased, leased, or otherwise obtained in accordance with the Franchisor's standards and specifications and only from suppliers or other sources approved by the Franchisor. The Franchisee shall purchase or lease for use in the operation of the Franchised Store an electronic cash register or computer system, with multiple workstations and associated software as specified by Franchisor (the "Computer System") that accurately records each and every sale or other transaction from the operation of the Franchised Store. The Franchisee shall submit its reports in the computerized format designated from time to time by the Franchisor. In

the event that such Computer System is required by the Franchisor, Franchisee shall report each and every sale or other transaction on the Computer System and shall not in any way alter the data reported from such sales or other transaction. Such Computer System shall be linked to Franchisor through a method designated by the Franchisor at its sole discretion, including, without limitation, the internet, modem or any other method. The Franchisee hereby grants the Franchisor the right to access its Computer System and authorizes the Franchisor to obtain sales and other information and to review or audit any data on such Computer System directly, through an internet connection, by modem or otherwise. The Franchisee shall be obligated to upgrade or update the Computer System and any required software, at the Franchisee's sole cost, which cost will not be limited or capped in any way, to meet the Franchisor's then current standards and specifications, which may be changed or revised from time to time in Franchisor's sole discretion. If the Franchisor determines that additional or replacement equipment is needed, the Franchisee shall purchase and install the additional equipment or replacement equipment within the reasonable time specified by the Franchisor. Franchisee shall also have a minimum of one (1) fax machine, email capability, and, if available, a cable modem, DSL or other high speed internet connection or, if the foregoing is not available, dial-up internet connection.

4.5 Permits and Certifications. The Franchisee agrees to obtain all such permits and certifications as may be required for the lawful construction and operation of the Franchised Store, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, fire, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health, and sanitation permits and ratings and fire clearances. The Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the Term in connection with the conduct of the Franchised Store which indicates the Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by the Franchisee with any applicable law, rule or regulation, shall be forwarded to the Franchisor within five days (5) of the Franchisee's receipt thereof.

4.6 Commencement of Operations. Unless otherwise agreed in writing by the Franchisor and the Franchisee, the Franchisee shall commence operations of the Franchised Store within one hundred eighty (180) days after the execution of this Agreement. The Franchisee shall obtain the written consent of the Franchisor at its sole discretion, prior to commencing operation of the Franchised Store, taking into consideration whether the Franchisee has satisfied the pre-opening requirements in Sections 4, 5 and 9 of this Agreement. The Franchisor may extend the time in which the Franchisee has to commence operations for a reasonable period of time in the event factors beyond the Franchisee's reasonable control prevent the Franchisee from meeting this opening schedule, so long as the Franchisee has made reasonable and continuing efforts to comply with such opening obligations and the Franchisee requests, in writing, an extension of time in which to have its Franchised Store established before such development period lapses.

## 5 TRAINING

5.1 Initial Training Program. The Franchisee or, if the Franchisee is not an individual, the person designated by the Franchisee to assume primary responsibility for the management of the Franchised Store (“Manager”), is required to attend and successfully complete the initial training program which is offered by the Franchisor (“Initial Training Program”). The Initial Training Program will be held at Franchisor’s corporate headquarters or another location in the United States designated by the Franchisor in its sole discretion. The Initial Training Program will consist of at least three (3), but no more than four (4) weeks (depending on the amount of prior experience of the Franchisee or Manager) of instruction for up to two individuals who are eligible to participate in the Franchisor’s Initial Training Program. The Initial Training Program is provided without any additional charge of a tuition or fee. Such costs are included within the Initial Franchise Fee. The Franchisee or the Manager, must begin the Initial Training Program within thirty (30) days after the Franchisor’s approval of the executed lease or purchase agreement for the Franchised Location. The Franchisee shall be responsible for any and all traveling and living expenses incurred in connection with attendance at the Initial Training Program. The Franchisee or Manager must successfully complete the Initial Training Program prior to the Franchisee’s commencement of operation of its Franchised Store. Training will be conducted after the Franchise Agreement is signed, a location is secured, and a lease is signed, but before the Franchisee commences operation of the Franchised Store. The Franchisor reserves the right to waive a portion of the Initial Training Program or alter the training schedule, if in the Franchisor’s sole discretion, the Franchisee or Manager has sufficient prior experience or training. If Franchisor determines, in its sole discretion, that Franchisee or its Manager has not satisfactorily completed the Initial Training Program required of all franchisees, Franchisor has the option to require Franchisee or its Manager to attend additional training or to terminate the Franchise Agreement.

The Franchisee acknowledges that proper management of the Franchised Store is important and must insure that a person (either the Franchisee or a designated Manager) who has successfully completed the Initial Training Program is responsible for the management of the Franchised Store. If at any time Franchisee ceases to have a person who has successfully completed the Initial Training Program responsible for the management of the Franchised Store, , Franchisee must designate a successor who must attend and successfully complete the next available Initial Training Program. The Franchisee shall be responsible for the fees for any additional Initial Training Programs, which shall not exceed One Thousand Dollars (\$1,000.00) per week of training, and any and all traveling and living expenses incurred in connection with attendance at any additional Initial Training Programs. If Franchisor determines, in its sole discretion, that the proposed successor Manager has not satisfactorily completed the Initial Training Program, Franchisor has the option to require the proposed Manager to attend additional training, require Franchisee to designate another proposed Manager to attend the next available Initial Training Program or terminate the Franchise Agreement. Breach of this Section shall be considered a material default under this Agreement.

If at any time Franchisee ceases to have a person who has successfully completed the Initial Training Program responsible for the management of the Franchised Store and does not have a successor Manager attend the next available Initial Training Program, then, in addition to all

other remedies, Franchisor may charge Franchisee a fee of one thousand Dollars (\$1,000.00) per week (beginning the week that the Initial Training Program is available) until the earlier of termination of the Franchise Agreement or when Franchisee has appointed a Manager who has successfully completed the Initial Training Program.

5.2 On-Site Pre-Opening Training and Inspection. In the event the Franchisee is opening its first Franchised Store, the Franchisor shall provide one (1) person to conduct five (5) days of on-site training at the Franchised Store, at a mutually agreed upon time at or around opening, to assist the Franchisee in the opening of the Franchised Store. If the Franchisee has previously operated or is currently operating a Franchised Store, the Franchisor shall determine, in its sole discretion, the length of the on-site training. The Franchisor, in its sole discretion, may inspect the Franchised Location prior to opening during at all reasonable times. At least thirty (30) days in advance of the Franchised Store's projected Opening Date, Franchisee shall, by written notice, request the Franchisor to perform its final inspection, Franchisee shall open the Franchised Store for Business as soon after completion of the building and installation of furnishings and equipment as is reasonably possible, but in no event before the Franchisor's final inspection is performed and written approval is given at Franchisor's sole discretion. The Franchised Store must be ready to open prior to the commencement of on-site training and final inspection. "Ready to open" means that the Franchisee has obtained all necessary permits, licenses and inspections, all equipment necessary to operate the Franchised Store must be operational, product is available for sale and adequate staff has been employed. If the Franchisor incurs expenses to provide on-site training and the Franchised Store is not ready to open, the Franchisee shall pay all reasonable travel and living expenses incurred by the Franchisor or its agents and the reasonable wages of the Franchisor employees or independent contractors or agents in connection with provision of the on-site training. In the event the Franchisor interrupts on-site training because the Franchised Store is not ready to open, the Franchisor shall provide on-site training upon payment of the above listed expenses and certification by the Franchisee that the Franchised Store is ready to open.

5.3 Additional Training. The Franchisor may conduct, in the Franchisor's sole discretion, one (1) training seminar annually at a location to be determined by the Franchisor to discuss relevant business trends and share new information relating to Franchised Stores for a period not to exceed seven (7) consecutive calendar days. Attendance at the seminar is optional unless the Franchisor gives the Franchisee at least thirty (30) days prior written notice of the seminar, in which case the Franchisee or its Manager shall be required to attend. The Franchisor shall not require that the Franchisee attend any on-going training program more than once a year. All mandatory training will be offered without charge of a tuition or fee; provided, however, the Franchisee will be responsible for any and all transportation and living expenses which are incurred in connection with attendance at the training program.

5.4 Annual Convention. The Franchisor may conduct, in the Franchisor's sole discretion, a Massage Green annual convention at a location to be determined by the Franchisor. The convention will not to exceed four consecutive calendar days. Attendance at the annual convention is mandatory for Franchisee as long as Franchisor gives the Franchisee at least thirty (30) days prior written notice of the convention. If Franchisee fails to attend two consecutive

scheduled annual conventions, Franchisor will have the right to terminate this Agreement under Section 18.1.

5.5 Sales Associate and Therapists. Franchisee shall, no later than two (2) weeks prior to the commencement of operations hire: (a) at least one sales associate that has been trained by Franchisee in accordance with our guidelines; and (b) at least fifteen (15) additional employees/independent contractors who have completed a minimum of 500 hours of massage therapy certification. If Franchisor determines, in its sole discretion, that the Franchisee has not met the staffing requirements required under this Section, the Franchisee will not be allowed to open the Franchised Store for business until Franchisee has complied with the staffing requirements under this Section. A breach by Franchisee of the requirements of this Section shall be considered a material default under this Agreement.

## **6 ASSISTANCE FROM FRANCHISOR**

6.1 Assistance from Franchisor. The Franchisor shall provide the Franchisee with assistance in the initial establishment of the Franchised Store as follows:

(a) Provision of the Initial Training Program to be conducted at the Franchisor's designated training facilities or at another location designated by the Franchisor, and follow up on-site training as described in Section 5 above.

(b) Provision of written specifications for the Franchised Location which may include, without limitation, specifications for space requirements, and build out. The Franchisee acknowledges that the Franchisor shall have no other obligation to provide assistance in the selection and approval of a Franchised Location other than the provision of such written specifications and approval or disapproval of a proposed Franchised Location, which approval or disapproval shall be at the Franchisor's sole discretion and based on information submitted to the Franchisor in a form sufficient to assess the proposed location as may be required by the Franchisor.

(c) Periodic advice regarding the required design, build-out and decoration of the Franchised Store premises, plus specifications concerning signs, decor and equipment.

(d) Periodic advice regarding the selection of suppliers of equipment, items and materials used and inventory offered for sale in connection with the Franchised Store. After execution of this Agreement, the Franchisor will provide the Franchisee with a list of approved suppliers, if any, of such equipment, items and materials and inventory and, if available, a description of any national or central purchase and supply agreements offered by such approved suppliers for Massage Green franchisees.

(e) Provision of an Operations Manual in accordance with Section 7 below.

(f) Make available for purchase by the Franchisee, directly through Franchisor, or through Franchisor's Affiliate or Franchisor's designated suppliers,



proprietary or trademarked products and other items to be determined at the sole discretion of the Franchisor.

## **7 OPERATIONS MANUAL**

7.1 Operations Manual. Upon attendance at the Initial Training Program, the Franchisor agrees to loan to the Franchisee one or more manuals, technical bulletins or other written or electronically recorded materials covering the proper operating and marketing techniques of the Franchised Store. Such written or electronically recorded materials plus all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Franchisor for use by the franchisees generally or for the Franchisee in particular, setting forth information, advice and standards, requirements, operating procedures, instructions or policies, as same may be added to, deleted or otherwise amended by the Franchisor from time to time at its sole discretion, relating to the operation of the Franchised Store are collectively referred to as the "Operations Manual." The Franchisee agrees that the Operations Manual is specifically incorporated by reference into this Agreement and that it shall be considered a part hereof, and that Franchisee shall comply with the Operations Manual as an essential aspect of its obligations under this Agreement and failure by the Franchisee to substantially comply with the Operations Manual may be considered by the Franchisor to be a breach of this Agreement. To the extent that any terms in this Agreement conflict with those in the Operations Manual, this Agreement shall govern and supersede such conflicting terms.

7.2 Confidentiality of Operations Manual Contents. The Franchisee agrees to use the Proprietary Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of the Franchisor and shall be used by the Franchisee only during the Term and in strict accordance with the terms and conditions hereof. The Franchisee agrees that such Operations Manual shall be deemed to be a trade secret and shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who need the information contained therein to perform their jobs and who have signed a nondisclosure and noncompetition agreement in a form approved by the Franchisor. Franchisee shall furnish copies of all such nondisclosure and noncompetition agreements to Franchisor immediately upon execution. The Franchisee shall not make any paper or electronic copies of the Operations Manual without the prior written consent of the Franchisor. The Franchisee shall return the Operations Manual, together with all copies of any portion of the Operations Manual which the Franchisee may have made, to the Franchisor immediately upon the expiration, termination or assignment of this Agreement.

7.3 Changes to Operations Manual. The Franchisor reserves the right to revise the Operations Manual from time to time at its sole discretion as it deems necessary to update operating and marketing techniques or standards and specifications. The Franchisee shall immediately update its copy of the Operations Manual as instructed by the Franchisor and shall conform its operations with the updated provisions as soon as practicable, but no later than thirty (30) days after receipt of any updated information, unless otherwise agreed to in writing by Franchisor. The Franchisee acknowledges that the master copy of the Operations Manual

maintained by the Franchisor at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

## **8 OPERATING ASSISTANCE**

8.1 Franchisor's Services. The Franchisor agrees that, during the Franchisee's operation of the Franchised Store, the Franchisor shall make available to the Franchisee the following services:

(a) Upon the reasonable request of the Franchisee and subject to the availability of Franchisor's personnel and/or resources, periodic consultation by telephone regarding the continued operation and management of a Franchised Store and advice regarding operations, advertising and promotion, customer relations issues and similar advice.

(b) Access to advertising and promotional materials as may be developed from time to time by, and at the sole discretion of, the Franchisor, the cost of which may be passed on to the Franchisee at the Franchisor's option.

(c) Periodic updates of information and programs regarding Massage Green Products and related System, including, without limitation, information about special or new services or products which may be developed and made available to Massage Green franchisees, at the Franchisor's sole discretion.

(d) The Franchisor may, from time to time, suggest retail prices or set maximum or minimum prices for the Massage Green Products.

(e) The Franchisor shall make the Initial Training Program available to replacement or additional Managers during the Term. The Franchisor reserves the right to charge a tuition or fee as set forth in Section 5.1 of this Agreement. The Franchisee shall be responsible for all travel and living expenses incurred by its personnel during the training program. Further, the availability of the training programs shall be subject to space considerations and prior commitments to new Massage Green franchisees.

8.2 Additional Franchisor Services. Although not obligated to do so, upon the reasonable request of the Franchisee, and subject to the availability of Franchisor's personnel and/or resources, the Franchisor may make its employees or designated agents available to the Franchisee for on-site advice and assistance in connection with the on-going operation of the Franchised Store governed by this Agreement. In the event that the Franchisee requests such additional assistance and the Franchisor agrees to provide the same, the Franchisor reserves the right to charge the Franchisee for all reasonable travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of the Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by Franchisor for assistance.

## 9 FRANCHISEE'S OPERATIONAL COVENANTS

9.1 Business Operations. The Franchisee acknowledges that it is solely responsible for the success or failure of its Franchised Store and that the successful operation thereof is, in part, dependent upon the Franchisee's compliance with this Agreement, including the Operations Manual. In addition to all other obligations contained herein and in the Operations Manual, the Franchisee covenants that:

(a) The Franchisee shall maintain clean, efficient and high quality Franchised Store operations and shall operate the business in accordance with this Agreement, including, the Operations Manual, and in such a manner as not to detract from or adversely reflect upon the name and reputation of the Franchisor and the goodwill associated with the Massage Green name and Proprietary Marks.

(b) The Franchisee will conduct itself and operate its Franchised Store in compliance with all material applicable laws, regulations and other ordinances and in such a manner so as to promote a good public image in the community in which it is located. In connection therewith, the Franchisee will be solely and fully responsible for obtaining any and all licenses and permits to carry on the business of the Franchised Store, and shall keep all such licenses and permits on file and available for inspection by the Franchisor at any time. The Franchisee shall promptly forward to the Franchisor copies of all health department, fire department, building department and other similar reports or inspections as and when they become available.

(c) The Franchisee acknowledges that proper management of the Franchised Store is important and shall insure that a person (either the Franchisee or a designated Manager) who has successfully completed the Franchisor's Initial Training Program shall be responsible for the management of the Franchised Store and be present at, and doing work only for, the Franchised Location a minimum of eight (8) hours each day, five (5) days each week.

(d) The Franchisee acknowledges that the franchise granted hereunder authorizes the Franchisee to offer only authorized products and services as are more fully described in the Operations Manual. The Franchisee shall purchase the Massage Green Products and certain other products as may be identified by the Franchisor from time to time from the Franchisor or such suppliers as the Franchisor may designate from time to time at its sole discretion, pursuant to the terms set forth in Section 12 of this Agreement. The Franchisee shall offer all types of the products and services included in the Massage Green Products as from time to time may be prescribed by the Franchisor at its sole discretion and shall not offer any other types of products or services, or operate or engage in any other type of business or profession, from or through the Franchised Store. Franchisee shall immediately discontinue selling or offering for sale any Massage Green Products or other products as the Franchisor may, in its sole discretion, disapprove in writing at any time and shall as soon as commercially reasonable, begin offering new Massage Green Products designated in writing by Franchisor.

(e) The Franchisee shall promptly pay when due all taxes and other obligations owed to third parties in the operation of the Franchised Store, including without limitation, unemployment and sales taxes, and any and all accounts or other indebtedness of every kind incurred by the Franchisee in the conduct of the Franchised Store. In the event of a bona fide dispute as to the liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall the Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Location, or any improvement thereon.

(f) The Franchisee shall comply in all material respects with all agreements with third parties related to the Franchised Store including, including, without limitation, all provisions of any software license agreement, lease, sublease or purchase agreement for the Franchised Location.

(g) The Franchisee agrees to renovate, refurbish, remodel or replace, at its own expense, the real and personal property, fixtures and equipment used in the operation of the Franchised Store, when reasonably required by the Franchisor in order to comply with the image, standards of operation and performance capability established by the Franchisor from time to time. Franchisee shall not be required to spend more than Fifteen Thousand Dollars (\$15,000.00) for such renovation, refurbishment or remodeling each five (5) years, provided, however, that this does not limit the amount that Franchisee is required to spend for maintenance and repair of property, fixtures and equipment. If the Franchisor changes its image or standards of operation, it shall give the Franchisee a reasonable period of time within which to comply with such changes.

(h) The Franchisee shall at all times during the Term own and control the Franchised Store authorized hereunder. Upon request of the Franchisor, the Franchisee shall promptly provide satisfactory proof of such ownership to the Franchisor. The Franchisee represents that the Legal Entity Form, attached hereto as **Exhibit C** and by this reference incorporated herein, lists all owners of Franchisee and that the information contained in the Legal Entity Form is true, complete, accurate and not misleading. The Franchisee shall promptly provide the Franchisor with a written notification if the information contained in the Legal Entity Form changes at any time during the Term and shall comply with the applicable transfer provisions contained in Section 16 herein.

(i) The Franchisee shall at all times during the Term keep its Franchised Store open during the business hours as may be designated by the Franchisor from time to time in the Operations Manual or as otherwise designated in writing by the Franchisor.

(j) In the event that the Franchisor creates and makes available, through an Affiliate or an approved supplier, an approved Massage Green uniform or/or work dress policy, the Franchisee and the Franchisee's employees shall at all times wear the approved Massage Green uniform and/or comply with the work dress policy.

(k) The Franchisee shall give prompt, courteous and efficient service to all customers, but reserves the right to remove disruptive customers who threaten to impair the enjoyment of other customers or the efficient operation of the Franchised Store.

(l) The Franchisee shall notify Franchisor in writing within five (5) days of notice of any actual or threatened action, proceeding or suit, and of the issuance of any order writ, injunction, award or decree of any court, agency, or governmental instrumentality which may adversely affect the Franchised Stores, Proprietary Marks or System.

(m) The Franchisee shall immediately report to the Franchisor all complaints from customers or any other third party, whether written or oral, about any aspect of the Franchised Store, including, without limitation, the Massage Green Products, advertising or Franchisee or its personnel. Such reports shall be in writing and the Franchisor may, in its sole discretion, specify a form for such reports. It shall be Franchisee's responsibility to devote its best efforts to resolve all such complaints.

(n) Franchisee shall not attach or exhibit any signs, displays or posters on or in the exterior or interior of the Franchised Location, nor permit others to do so, other than signs, posters or displays then currently supplied, required or authorized in writing by the Franchisor. Franchisee shall also obtain and maintain an adequate supply of brochures, pamphlets, in-store signs and other promotional materials of the kind and size and in such locations in the Franchised Location as Franchisor shall require, in its sole discretion, in the Operations Manual or otherwise in writing.

9.2 Pricing. In order to enhance the competitive position and consumer acceptance for the Massage Green Products, Franchisor may exercise rights with respect to the pricing of products and services to the fullest extent permitted by then-applicable law. These rights may include, without limitation: (a) prescribing the maximum and/or minimum retail prices that Franchisee may charge customers for the products and/or services offered and sold at the Franchised Store; (b) recommending retail prices; (c) advertising specific retail prices for some or all products or services sold by the Franchised Store, which prices Franchisee will be required to observe; (d) engaging in marketing programs, promotional programs, drives, giveaways, contests and other campaigns that Franchisee must participate in and that may directly or indirectly impact Franchisee's retail prices; and (e) otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices that the Franchised Store may charge the public for the products and services it offers. Franchisor may engage in any such activity either periodically or throughout the term of this Agreement. Further, Franchisor may engage in such activity only in certain geographic areas (e.g. cities, states, regions) and not others, or with regard to certain subsets of franchisees (e.g. airports, arenas, other captive audiences) and not others. Franchisee acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Franchised Store and Franchisee irrevocably waives any and all claims arising from or related to Franchisor's prescription or suggestion of retail prices for the Franchised Store.

## 10 CONVERSION SITES

10.1 Franchisee's Option to Purchase Conversion Sites. If, during the Term, Franchisor acquires the shares or assets (which may include, by way of illustration and not by way of limitation, furniture, fixtures, equipment, leasehold improvements and/or leasehold interests) of any business operating a Competitive Business, as defined in Section 20.1, at one or more sites located within the Territory which meet the Franchisor's specifications and standards as in effect from time to time for conversion to Franchised Stores (the "Conversion Sites") and Franchisor determines to convert such Conversion Sites to Franchised Stores, Franchisor agrees to offer to sell such Conversion Sites to Franchisee for the price paid therefore by Franchisor. Such price will include that portion of the direct and indirect costs and liabilities incurred or assumed by Franchisor in making such acquisition and allocated to such Conversion Sites whether paid or owed to the seller of such Conversion Sites, or any other party, and other expenses allocated or otherwise related to such Conversion Sites (including losses, whether from continuing operations or closing acquired locations) plus interest at Franchisor's cost of money on the balance of such amounts from time to time, provided that:

(a) such sale will not in the Franchisor's sole judgment conflict with any existing legal obligation of the Franchisor or the business being acquired; and

(b) such sale will not in the Franchisor's sole judgment preclude the completion of the acquisition on the terms agreed to by Franchisor; and

(c) such sale will not, in the Franchisor's sole judgment, interfere with any other legal agreement, arrangement or combination or affect federal or state income tax consequences arising from the acquisition in a manner adverse to any of the parties thereto; and

(d) such sale may, at the Franchisor's sole discretion, include (at a price determined on the same basis as for Conversion Sites) certain acquired stores which fall within the Territory but which do not meet the Franchisor's criteria for conversion to Franchised Stores and which may have to be closed or sold to a third party subsequent to Franchisee's acquisition; and

(e) the Franchisee agrees to (i) execute, concurrently with the Franchisee's purchase, Franchisor's then current form of standard franchise agreement containing the Franchisor's then current fees and expense requirements and such ancillary documents (including guarantees) as are then customarily used by Franchisor in the grant of franchises for Franchised Stores, as modified for use in connection with a Conversion Site as necessary, for each and every such Conversion Site, (ii) convert each such Conversion Site to a Franchised Store as soon as practicable thereafter (but in no event later than the date specified by the Franchisor) in accordance with the Franchisor's standards and specifications, and (iii) close or sell within the time period specified by the Franchisor any such acquired sites which are not suitable for conversion.

10.2 Timing. The Franchisee shall have ten (10) business days after receipt of the Franchisor's offer in which to accept or reject such offer by written notice to the Franchisor. If accepted, the Franchisee shall have thirty (30) days from the date of acceptance within which to complete the acquisition, unless extended by Franchisor at its sole discretion. If such offer is rejected or if the acquisition is not consummated, Franchisor shall have the right to establish or license another person or entity to establish a Franchised Store at the Conversion Site.

## **11 ADVERTISING AND PROMOTION; PRICING**

11.1 The Franchisee acknowledges that local advertising is required to advise the public of the Franchised Store. As such, the Franchisee shall advertise and promote the opening of the Franchised Store at the Franchisee's own expense. The Franchisor may, at its sole discretion, recommend specific advertising strategy, copy, media selection and timing. The required advertising and promotional expense for the period beginning on opening of the Franchised Store and ending at the end of the Franchisee's first full month of operation shall be a minimum of Six Thousand Dollars (\$6,000.00) ("Grand Opening Advertising"). After the Franchisee's grand opening and beginning with the start of the second month of the Franchisee's operation and continuing for the remainder of the Term, the Franchisee shall spend a minimum of the greater of five percent (5%) of the monthly Gross Sales, or Three Thousand Dollars (\$3,000.00) for local advertising and promotion each month. This advertising expense is called the "Local Advertising Expense."

11.2 All advertising must be approved in writing in advance by Franchisor, which such approval or disapproval shall be at the sole discretion of the Franchisor, and all costs for such advertising, including, without limitation, artwork and advertising fees, shall be borne solely by Franchisee unless such advertising is placed by a Local Advertising Cooperative. Expenditures for advertising shall count toward satisfying Franchisee's Local Advertising Expense requirement.

11.3 Advertising Cooperative for Local or Regional Advertising: Franchisor shall have the right, but not the obligation, to designate any geographic area (usually, but not exclusively, corresponding to areas of dominant influence), for purposes of establishing a Local Advertising Cooperative, and to determine whether a Local Advertising Cooperative is applicable to the Franchised Store. Franchisee and Franchisor or its Affiliates who own Stores shall become members of and contribute to any Cooperative which is or has been established for a geographic area in which the Franchised Store or company-owned store is located. The following provisions shall apply to each Local Advertising Cooperative:

(a) Each Local Advertising Cooperative shall adopt a cooperative agreement governing the organization and operation of the Cooperative, which must be submitted for prior approval to the Franchisor (and shall be deemed disapproved ten (10) business days after submission if the Franchisor takes no action), which such agreement shall allow Franchisor to electronically collect funds for the Local Advertising Cooperative. Such approval or disapproval shall be at the sole discretion of the Franchisor. In the event that the members of the Cooperative do not sign an agreement within thirty (30) days after Franchisor designates a geographic area for the Local Advertising Cooperative,

Franchisee shall sign Franchisor's then current recommended Local Advertising Cooperative Agreement. No changes in the bylaws or other governing documents of a Cooperative shall be made without Franchisor's prior written consent.

(b) Each Local Advertising Cooperative shall be organized for the exclusive purpose of administering local and regional advertising programs and developing promotional materials for use by the members in local and regional advertising.

(c) No advertising or promotional programs or materials may be used by a Cooperative or furnished to its members without prior approval of Franchisor pursuant to Section 11.5 of this Agreement.

(d) Franchisee agrees to participate with the Local Advertising Cooperative display advertising in cooperation with other franchisees in the geographic area in which the Franchisee's Franchised Store is located. The size and extent of the cooperative advertisement will be determined by the majority vote of the affected members of the cooperative, with each Franchised Store, including Franchisor-owned and Affiliate-owned Stores, having one vote; and which is subject to the approval or disapproval of Franchisor, which shall be at Franchisor's sole discretion. Franchisee agrees to pay its pro rata portion of all fees and costs for advertising promptly and in full. The Local Advertising Cooperative must place advertising in all that cover the geographic areas in which the members of the Local Advertising Cooperative operate Franchised Stores. Once the Local Advertising Cooperative is formed, the responsibility for administration of the advertising cooperative effort within the Cooperative will be the responsibility of the members of the Cooperative; and the Franchisor shall not be responsible to Franchisee for any single franchisee who fails to abide by these arrangements or pay the appropriate fees. The layout and design for such cooperative advertising copy will either be provided by the Franchisor or, if generated by the franchisees, must be approved in advance by the Franchisor, which such approval or disapproval shall be at the sole discretion of the Franchisor.

(e) Up to the greater of five percent (5%) of the Franchisee's monthly Gross Sales or Three Thousand Dollars (\$3,000.00) spent monthly through the Local Advertising Cooperative shall be deemed part of the Franchisee's Local Advertising Expense.

11.4 During each month of the Term, the Franchisee shall furnish the Franchisor an accounting of the Franchisee's previous month's expenditures for advertising and promotion on a form approved by the Franchisor in its sole discretion. Any Local Advertising Cooperative of which the Franchisee is a member must also submit a monthly accounting to Franchisor.

11.5 Franchisor will make available to the Franchisee all advertising and promotion materials for the Franchised Store which are used by the Franchisor and other franchisees, which the Franchisor develops from time to time at its sole discretion. The Franchisee will receive one sample of each type of advertising and promotion material at no charge. If the Franchisee wants additional copies, the Franchisee must pay duplication costs. The Franchisee may develop



advertising materials for the Franchisee's own use, at the Franchisee's own cost. The type, manner, and time period for any and all advertisements by the Franchisee (including any advertising materials used by a Local Advertising Cooperative of which the Franchisee is a member), including, without limitation, print, radio, television, mail, email, Spam and internet advertising, must be approved in writing by Franchisor, prior to the first use of each such type, media, and manner of advertising, which such approval or rejection is at Franchisor's sole discretion. The Franchisee must submit such advertising material to the Franchisor for review at least ten (10) business days before the proposed first use. If the Franchisor takes no action within such ten (10) business day period, the advertising material shall be deemed disapproved and Franchisee may not use such advertising material. Such approval or disapproval is at Franchisor's sole discretion. Franchisor also may, at its sole discretion, require the Franchisee to immediately discontinue any advertising material at any time, even if previously approved by the Franchisor.

11.6 Franchisor may, at its sole discretion, create a National Advertising Fund. If such National Advertising Fund is established, Franchisee agrees that on the same day and at the same time that Franchisee remits Franchisee's Royalty Fees to Franchisor, and in addition to the Franchisee's Local Advertising Expense, the Franchisee shall remit two percent (2%) of the Gross Sales for the preceding Reporting Period or portion thereof to the Franchisor (the "National Advertising Fee"). The Franchisor, at its sole discretion, may require that the Franchisee increase the National Advertising Fee to up to a total of five percent (5%) of the Gross Sales for the preceding Reporting Period. No action taken by the Franchisee or any Local Advertising Cooperative shall diminish the Franchisee's obligations to pay the National Advertising Fee to the National Advertising Fund.

11.7 Advertising materials and services will be provided to the Franchisee through the National Advertising Fund if and when such National Advertising Fund is established. Franchisor may occasionally provide for placement of advertising on behalf of the entire System, including franchisees, through the National Advertising Fund. Franchisor reserves the right to use the National Advertising Fee from the National Advertising Fund to place advertising in national media (including broadcast, print or other media) in the future.

11.8 National advertising, public relations, and promotions will be managed and maintained by the Franchisor, in the Franchisor's sole discretion. The National Advertising Fund will be used to promote the Massage Green Products sold by the franchisees and will not be used to sell additional franchises. The National Advertising Fund will be administered by the Franchisor's personnel (or an outside entity appointed by Franchisor) in Franchisor's sole and absolute discretion and such administrator may be compensated from the National Advertising Fund. All Stores owned by the Franchisor or its Affiliates will contribute to the National Advertising Fund on the same basis as franchisees. All payments to the National Advertising Fund must be spent on advertising, promotion and marketing of Massage Green Products provided by the Franchisor, including, without limitation, administrative costs and overhead (including, without limitation, reimbursement to Franchisor for the costs of any Franchisor employees' time). The Fund is not obligated to spend a minimum amount in any particular time period or spend any particular amount in Franchisee's Territory. An annual unaudited financial statement of the National Advertising Fund, at the expense of the National Advertising Fund,

will be available to the Franchisee upon request no later than one hundred twenty (120) days after the end of each calendar year. Franchisee acknowledges that Franchisee may receive no direct or pro rata benefit from any National Advertising Fee paid by Franchisee to the National Advertising Fund.

11.9 The Franchisee shall fully participate in all promotional campaigns, prize contests, special offers, and other programs, national, regional, or local in nature (including the introduction of new Massage Green Products, new franchises or other marketing programs directed or approved by the Franchisor), which are prescribed from time to time by the Franchisor at its sole discretion. The Franchisee shall be responsible for the costs of such participation, which may be charged by the Franchisor, its Affiliates or other third parties. In addition, the Franchisee shall honor any coupons or other authorized promotional offers of the Franchisor at the Franchisee's sole cost unless otherwise specified in writing by the Franchisor. Franchisee agrees to participate in any gift certificates or cards, electronic gift or money cards (E-cards), frequency cards or other programs specified by Franchisor and to honor all such cards issued by Franchisor or by other franchisees in accordance with Franchisor's policies. Franchisee acknowledges and agrees that Franchisee's participation in those programs is integral to the Massage Green franchise system and to the success of those programs. Franchisor or a person designated by Franchisor will administer any gift and E-card or other such programs specified by Franchisor. Franchisee agrees that Franchisor may charge an administrative fee for administering those programs.

11.10 Use of Internet and Social Media. Franchisee must not use the Internet, or any social networks (including but not limited to facebook, Twitter, Pinterest, and Instagram), wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media or similar methods with potential local, regional, national or worldwide scope in connection with the Franchised Store, except with the written consent of Franchisor and then only in accordance with any policies and procedures specified by Franchisor from time to time. Franchisor may, in its discretion, maintain an Internet site and/or social media accounts for the Massage Green franchise system and allow Franchisee to participate in business generated by those methods under guidelines specified by Franchisor.

## **12 QUALITY CONTROL**

12.1 Compliance with Operations Manual. The Franchisee agrees to maintain and operate the Franchised Store in compliance with this Agreement and the standards and specifications contained in the Operations Manual, as the same may be modified from time to time by the Franchisor at its sole discretion.

12.2 Standards and Specifications. The Franchisor will make available to the Franchisee standards and specifications for the Massage Green Products offered at or through the Franchised Store. The Franchisor reserves the right to change standards and specifications for Massage Green Products offered at or through the Franchised Store at its sole discretion upon written notice to the Franchisee and the Franchisee shall conform its operations with the updated standards and specifications as soon as practicable, but no later than thirty (30) days after receipt of the notice, unless a longer time period is otherwise specified in the notice

12.3 Inspections. The Franchised Location shall be used solely for the purpose of operating a Franchised Store. Franchisor and Franchisor's representatives will have the right during business hours, with or without prior notice to or consent of the Franchisee, to inspect the Franchised Store and all other facilities used for service or storage, sale and transportation of any approved Massage Green Products. Franchisee shall permit Franchisor or its agents to remove from the Franchised Location any unapproved products and dispense with such products and may also remove samples of any other products, without payment therefore, in amounts reasonably necessary for testing by the Franchisor or its designee to determine whether the samples meet the Franchisor's then current standards and specifications. Franchisor and Franchisor's representatives will have the right to discuss with the Franchisee, or other personnel the Franchisee may designate, including Franchisee's Manager, all matters that may pertain to compliance with this Agreement and with the Franchisor's standards, specifications, requirements, instructions and procedures and the Franchisor may take photographs of the Franchisee's food product and facilities. The Franchisee shall in all respects cooperate with the Franchisor's rights under this Section 12.3, provided that the Franchisor's exercise of these rights shall not unreasonably interfere with the Franchisee's conduct of business at the Franchised Store. The Franchisor also reserves the right to contact any and/or all of Franchisee's customers, employees, suppliers and other service professionals for quality control, market research and such other purposes as Franchisor deems appropriate, in Franchisor's sole and absolute discretion.

12.4 Restrictions on Products and Services. The Franchisee is prohibited from offering or selling any products or services not previously approved in writing by Franchisor. However, if the Franchisee proposes to offer, conduct or utilize any products and services for use in connection with or sale through the Franchised Store which are not previously approved in writing by the Franchisor as meeting its specifications, the Franchisee shall first notify the Franchisor in writing requesting approval. The Franchisor may, in its sole discretion, for any reason whatsoever or for no reason at all, elect to withhold such approval; however, in order to make such determination, the Franchisor may require submission of specifications, information, or samples of such products and services. The Franchisor will advise the Franchisee within a reasonable time whether such products and services are approved by the Franchisor.

12.5 Purchase Requirements for Certain Massage Green Products. In order to assure the consistency and quality of the System and the products and services offered at the Franchised Store, the Franchisor requires that the Franchisee purchase all goods containing the Proprietary Marks from the Franchisor or an Affiliate of Franchisor or from a source specifically designated by Franchisor. The Franchisor is under no obligation to consider or approve alternative sources for such products.

12.6 Approved Suppliers for Other Products, Equipment and Services. The Franchisee shall purchase all other products, services and equipment used in the operation of the Franchised Store licensed herein not set forth in Sections 4.4 or 12.5 of this Agreement, from manufacturers, suppliers or distributors designated by the Franchisor, which, for some or all products and services, may include only the Franchisor or an Affiliate of Franchisor, or from such other suppliers who are approved in writing by Franchisor at its sole discretion and meet all of the

Franchisor's specifications and standards as to quality, safety, cleanliness, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply the Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation. The requirements set forth herein apply to such products, services and equipment for which the Franchisor has designated approved manufacturers, suppliers or distributors in its Operations Manual or otherwise in writing. If no such designations are made, the Franchisee may purchase such products, services and equipment from any manufacturer, supplier or distributor, provided that the products, service or equipment purchased conform to the specifications, if any, set forth in the Operations Manual.

12.7 Intended Change of Supplier. In the event the Franchisee desires to purchase products, services or equipment, other than the Proprietary Marks and all goods containing the Proprietary Marks (collectively, the "Specified Products and Equipment"), from manufacturers, suppliers or distributors other than those previously approved by the Franchisor, the Franchisee shall, prior to purchasing any such products and services, give the Franchisor written notice of intent to change supplier and submit a supplier evaluation fee of one-thousand Dollars (\$1,000.00) for each product, piece of equipment or service for which approval is sought. Franchisor may require that samples from a proposed new supplier be delivered to the Franchisor for testing prior to approval and use. The Franchisor may, in its sole discretion, for any reason whatsoever or for no reason at all, elect to withhold such approvals or revoke approval previously granted. Franchisor must, within sixty (60) days of the receipt of the Franchisee's request for approval of new supplier and evaluation fee, notify the Franchisee in writing of its acceptance or rejection. If such notice is not received within sixty (60) days, the Franchisor shall be deemed to have rejected the proposal. The Franchisor may continue from time to time to inspect any manufacturer's, supplier's, or distributor's facilities and equipment, products or services to assure proper quality, adherence to Franchisor's specifications for production, processing, storing and transportation of products, services or equipment to be purchased from the manufacturer, supplier or distributor by the Franchisee. Permission for such inspection shall be a condition of the continued approval of such manufacturer, supplier or distributor and if Franchisor's ability to inspect the facilities or products is withdrawn or in any way impaired, Franchisor shall have the right to immediately revoke the approvals set for in this Section. The Franchisee may not request a change in the manufacturers, suppliers or distributors of the Specified Products and Equipment.

12.8 Freight; Remedy for Failed Payments; Allocation of Products, Services or Equipment. Unless set forth otherwise in writing by the Franchisor, its Affiliate, or an approved supplier, all freight costs shall be paid by the Franchisee and all shipments shall be F.O.B. factory or, if applicable, distribution facility. Franchisor, Franchisor's Affiliate or any approved supplier may refuse to supply products, equipment or services ordered by the Franchisee if Franchisee fails to make any payments for the Local Advertising Cooperative, the National Advertising Fund, Royalty Fees or any other amounts then owed the Franchisor when due. Franchisor, Franchisor's Affiliate or any approved supplier may, in their own sole discretion, allocate products, equipment or services among all franchisees and any store owned by Franchisor or any Affiliate of Franchisor.

### **13 PROPRIETARY MARKS, TRADE NAMES AND PROPRIETARY INTEREST**

13.1 Ownership of Proprietary Marks. Franchisee acknowledges that MGH is the owner of all right, title and interest, together with all the goodwill of the Proprietary Marks. Franchisee further acknowledges that the Proprietary Marks designate the origin or sponsorship of the Massage Green Products, and other of Franchisor's products and services, and that Franchisor desires to protect the goodwill of its Proprietary Marks and to preserve and enhance its rights and the value of the Proprietary Marks

13.2 Enhancement of Goodwill. Franchisee further acknowledges that it is of utmost importance that the goodwill, stature, and image of quality associated with the Proprietary Marks be maintained and enhanced by Franchisee. Franchisee will make no use of the Proprietary Marks without the prior written approval of Franchisor, this Agreement itself not constituting such approval. Each separate use of the Proprietary Marks, even if it is in the same format of a prior use in a different media, requires the prior written approval of the Franchisor. To maintain and enhance the goodwill and image of quality associated by the public with the Proprietary Marks, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 13.

13.3 Right to Use Limited. Franchisee further acknowledges that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of business by Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Franchisor in the Operations Manual and elsewhere from time to time at its sole discretion during the term of this Agreement.

13.4 Covenant Not to Contest Ownership. Franchisee acknowledges and agrees that MGH is the sole and exclusive owner of the Proprietary Marks and that Franchisee will never, either before or after termination or expiration of this Agreement, dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Proprietary Marks or MGH's ownership of the Proprietary Marks, nor counsel, procure, or assist anyone else to do the same, nor will it take any action that is inconsistent with MGH's ownership of the Proprietary Marks, nor will it represent that it has any right, title, or interest in the Proprietary Marks other than those expressly granted by this Agreement.

13.5 Cooperation in Preserving and Enforcing Franchisor's Rights in the Proprietary Marks. Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Proprietary Marks, including but not limited to, executing and delivering to Franchisor such documents as Franchisor requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Massage Green Products and other products and services. Franchisee hereby irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents.

13.6 Use of Proprietary Marks. Franchisee will use the Proprietary Marks only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, interior décor, and promotional items such as clothing, pens, mugs, etc., which have been approved in writing by Franchisor in accordance with this Agreement, and promptly follow instructions regarding the Proprietary Marks as provided in the Operations Manual and otherwise given by Franchisor from time to time and at Franchisor's sole discretion. Franchisee may not create or use any web site or page advertising depicting its Franchised Location, advertising for the sale of Massage Green Products or using any of the Proprietary Marks without the prior written consent of the Franchisor, which such consent or rejection shall be at the sole discretion of the Franchisor.

13.7 Protection of Goodwill. Franchisee agrees to safeguard and maintain the reputation and prestige of the Proprietary Marks and will not disparage or do anything that would tarnish the image of or adversely impact the value, reputation or goodwill associated with the Proprietary Marks or the Franchisor. Franchisee will never attempt to dilute, directly or indirectly, the value of the goodwill attached to the Proprietary Marks, nor to counsel, procure, or assist anyone else to do the same.

13.8 Registration Rights. Franchisor may decide, in its sole and absolute discretion, to apply to register or to register any trademarks with respect to the Massage Green System or Products and any other products and services. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Proprietary Marks, or any trademark or logo similar thereto, anywhere in the world.

13.9 Notice. Franchisee shall mark the Proprietary Marks with a superscript "®" unless and until advised by Franchisor to use a different notice.

13.10 Cessation of Use. If, in Franchisor's reasonable determination, the use of a Proprietary Mark in connection with the Massage Green System or Products and other products and services will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor's rights in the Proprietary Marks, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with Franchisor's instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

13.11 No False or Misleading Materials. Franchisee will not use any materials that may be construed as false or misleading.

13.12 Advertising and Labeling. Franchisee will ensure that all advertising, labeling, packaging and other materials associated with the Massage Green Products or System and other products and services fully conform to all applicable federal, state and local laws, regulations and ordinances.

13.13 Compliance with Laws. Franchisee will conduct its business operations in accordance with all applicable federal, state and local laws, regulations and ordinances, including but not limited to, consumer protection, production, signage, construction, employment, health, sanitation and zoning laws and regulations.

13.14 No Use in Corporation Name. Franchisee shall not use any Proprietary Mark or portion of any Proprietary Mark as part of a corporate, assumed or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law.

13.15 Franchisor's Right of Inspection. In order to preserve the validity and integrity of the Proprietary Marks and Copyrighted Works (as defined in Section 14) licensed herein and to assure that Franchisee is properly employing the same in the operation of its Franchised Store, Franchisor or its agents shall have the right of entry and inspection of the Franchised Location and operating procedures during business hours, with or without prior notice to or consent of the Franchisee. Franchisor shall have the right to observe the manner in which Franchisee is rendering its Massage Green services and conducting its operations, to confer with Franchisee's employees and customers, and to select Massage Green Products, supplies and other items for testing of content and evaluation purposes to make certain that all such tested items are satisfactory and meet the quality control provisions and performance standards established by Franchisor.

13.16 Modification of Use. If it becomes advisable at any time, in Franchisor's sole discretion, for Franchisor to modify or discontinue use of any Proprietary Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions as soon as practicable after written notice to Franchisee and Franchisee shall have no rights of damages, offset or right to terminate this Agreement. Franchisor shall have no liability or obligation whatsoever to Franchisee arising from any such modification or discontinuance of any Proprietary Mark, except that Franchisor shall reimburse Franchisee for the actual, documented out of pocket costs incurred by Franchisee to change or modify its identifying signage.

13.17 Breach of Agreement. Any unauthorized use of the Proprietary Marks by Franchisee constitutes a material breach of this Agreement and an infringement of the rights of Franchisor and MGH in and to the Proprietary Marks.

13.18 Goodwill to Franchisor. Franchisee acknowledges that all usage of the Proprietary Marks by Franchisee and any goodwill established by Franchisee's use of the Proprietary Marks shall inure to the exclusive benefit of Franchisor and MGH, and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon expiration or termination.

13.19 Assignment of Rights to Franchisor. In the event Franchisee acquires, as a result of the exercise of any rights provided under this Agreement, any rights in the Proprietary Marks,

it agrees to assign and hereby assigns and transfers all such rights including all goodwill associated therewith, exclusively to Franchisor.

13.20 Pursuit of Infringement. Franchisee shall promptly notify Franchisor of any actual or threatened claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Proprietary Marks or any colorable imitation thereof. Franchisee shall also notify Franchisor of any actual or threatened action, claim or demand against Franchisee relating to the Proprietary Marks within ten (10) business days after Franchisee receives notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Proprietary Marks, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Proprietary Marks and shall exercise such right in the sole discretion of Franchisor and MGH. Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and MGH, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution. **FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE PROPRIETARY MARKS.**

13.21 Application. All provisions of this Agreement applicable to the Proprietary Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to Franchisee by Franchisor after the date of this Agreement.

## 14 CONFIDENTIAL INFORMATION AND COPYRIGHTED WORKS

14.1 Copyrighted Works. The Franchisee and the Franchisor acknowledge and agree that: (1) the Franchisor may authorize the Franchisee to use certain copyrighted or copyrightable works (the "Copyrighted Works"); (2) the Copyrighted Works are the valuable property of the Franchisor and MGH; and (3) the Franchisee's rights to use the Copyrighted Works are granted to the Franchisee solely on the condition that the Franchisee complies with the terms of this Section. The Franchisee acknowledges and agrees that the Franchisor owns or is the licensee of the owner of the Copyrighted Works and may further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Franchised Stores, including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which shall be deemed to be Copyrighted Works under this Agreement. Such Copyrighted Works include, but are not limited to, the Operations Manual, advertisements, promotional materials, labels, posters, coupons, gift certificates, signs, plans, specifications and artwork and designs, created by Franchisee or any other person or entity retained or employed by Franchisee and may include all or part of the Proprietary Marks and the System, trade dress and other portions of the Franchised Store. The Franchisee acknowledges that this Agreement does not confer any interest in the Copyrighted Works upon the Franchisee, other than the limited right to use them only in the operation of the Franchised Store in compliance with this Agreement.



14.2 Trade Secrets. Franchisee acknowledges that its entire knowledge of the operation of a Franchised Store including, without limitation, the System, the method of preparing and providing Massage Green Products, display, supplier sourcing, marketing and sales of the Massage Green Products, the Operations Manual, specifications, product formulae, standards, operating procedures of a Franchised Store, drawings, materials, equipment plans and specifications, Business Records (as defined in Section 15.7 of this Agreement), techniques, systems and other data, whether or not designated as confidential, and all other information which Franchisor designates as confidential is proprietary, confidential and constitutes the “Trade Secrets” of Franchisor. In addition, any improvements developed by Franchisee pursuant to Franchisee’s operation of the Franchised Store shall constitute and become the exclusive proprietary information of Franchisor. The term “Trade Secrets,” as referred to here in, shall also include the whole or any portion of know-how, knowledge, methods, specifications, supplier sources, processes, procedures and/or improvements regarding the Franchised Store and the System. The Franchisee agrees and acknowledges that such Trade Secrets are valuable and secret in the sense that they provide economic benefit to the Franchisor, are not generally known to competitors of Franchisor and are the subject of reasonable efforts by the Franchisor, including its franchisees, to maintain confidentiality. Franchisee shall maintain the absolute confidentiality of Trade Secrets during and after the term of the franchise and Franchisee shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, and shall not disclose the Trade Secrets to any third party unless specifically authorized by Franchisor.

14.3 Right to Injunctive Relief. Due to the special and unique nature of the Trade Secrets and other confidential information, Proprietary Marks and Operations Manual, Franchisee hereby acknowledges that Franchisor shall be entitled to immediate equitable remedies including, without limitation, restraining orders and preliminary injunctive relief in order to safeguard such proprietary, confidential, unique and special information of Franchisor and that money damages alone would be an insufficient remedy with which to compensate Franchisor for any breach of the terms of Sections 14 and 20 herein. Franchisee also agrees that no bond or other security shall be required in connection with the foregoing relief and agrees herein to waive any requirement for a bond or security in connection with any request for such relief by the Franchisor. All owners, directors, shareholders, members, managers, governors, partners and employees of Franchisee having access to the Trade Secrets or other confidential and proprietary information of Franchisor shall be required to execute non-disclosure agreements in the form acceptable to Franchisor at its sole discretion.

14.4 Limitation on Use. Franchisee will make no use of the Copyrighted Works other than as expressly set forth herein, without the prior written approval of Franchisor. This Agreement itself does not constitute approval to use the Copyrighted Works in such methods other than those expressly set forth herein. To maintain and enhance the rights in the Copyrighted Works, Franchisee will conduct its business in accordance with this Agreement and specifically with the provisions of this Section 14.

14.5 Acknowledgement Regarding Copyrighted Works. Franchisee agrees that Copyrighted Works are works made for hire within the meaning of the United States Copyright Act and are the property of MGH, who shall be entitled to use and license others to use the

Copyrighted Works subject to the provisions of this Agreement unencumbered by moral rights. To the extent the Copyrighted Works are not works made for hire or rights in the Copyrighted Works do not automatically accrue to MGH, Franchisee irrevocably assigns and agrees to assign to MGH, its successors and assigns, the entire right, title, and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyrighted Works, which the Franchisee and the author of such Copyrighted Works warrant and represent as being created by and wholly original with the author. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Works from the author or third parties to MGH, its successors, and assigns that may be acquired.

14.6 Protection of Copyrighted Works. Franchisee agrees to safeguard and maintain the value of the Copyrighted Works and will not do anything that would adversely impact the value of the Copyrighted Works. Franchisee will never attempt to dilute, directly or indirectly, the value attached to the Copyrighted Works, nor to counsel, procure, or assist anyone else to do the same.

14.7 Pursuit of Infringement. Franchisee shall promptly notify Franchisor of any actual or threatened claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Copyrighted Works or another's use of language or a visual image that you perceive to be identical or substantially similar to one of the Copyrighted Works. Franchisee shall also notify Franchisor of any actual or threatened action, claim or demand against Franchisee relating to the Copyrighted Works within ten (10) business days after Franchisee receives notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Copyrighted Works, Franchisor shall have the sole right, but not the duty, to defend any such action. Franchisor shall have the exclusive right to contest or bring action against any third party regarding the third party's use of any of the Copyrighted Works and shall exercise such right in the sole discretion of Franchisor and MGH. Franchisor shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Copyrighted Works or components of the System undertaken by Franchisor, Franchisee shall cooperate with Franchisor and MGH, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution.

14.8 Registration Rights. Franchisor or MGH may decide, in its sole and absolute discretion, to apply to register or to register any Copyrighted Works with respect to the Massage Green Products or any other products and services. Failure of Franchisor or MGH to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement, register or apply to register any of the Copyrighted Works, or any Copyrighted work or logo substantially similar thereto, anywhere in the world.

14.9 Notice. Franchisee will use the following notice at least once on each piece of advertising, promotional, or other material used in connection with the Massage Green Products or any other products and services used in connection with the Franchised Store:

© [year of first publication]. Massage Green International Franchise Corp. All Rights Reserved.

14.10 Cessation of Use. If, in Franchisor's reasonable determination, the use of a Copyrighted Work in connection with the Massage Green Products will infringe or potentially infringe upon the rights of any third party or weakens or impairs Franchisor's rights in the Copyrighted Works, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in accordance with Franchisor's instructions, and Franchisee will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

## **15 REPORTS, RECORDS AND FINANCIAL STATEMENTS**

15.1 Franchisee Reports. Franchisee shall establish and maintain at its own expense a bookkeeping and accounting system which conforms to the specifications which the Franchisor may reasonably prescribe from time to time at its sole discretion. When recording financial information and preparing financial statements and other reports, Franchisee shall use the "chart of accounts" designated by Franchisor from time to time. The Franchisee shall supply to the Franchisor such reports in a manner and form (including, without limitation, electronic or internet) and at the times as the Franchisor may from time to time reasonably require, including:

(a) Weekly summary reports, in a form as may be prescribed by the Franchisor, shall be transmitted to the Franchisor by a method designated the Franchisor at its sole discretion, including, without limitation, Franchisor accessing directly from Franchisee's bookkeeping and accounting systems, e-mail, posting to a secured site, or first-class mail, no later than Monday of each week and containing information relative to the previous Reporting Period's operations; and

(b) Monthly financial statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and consisting of a profit and loss statement and balance sheet for the Franchised Store, shall be transmitted to the Franchisor by a method designated by the Franchisor at its sole discretion, including, without limitation, Franchisor accessing directly from Franchisee's bookkeeping and accounting systems, e-mail, posting to a secured site, or first-class mail, no later than the 10th day following the end of each calendar month, based on operating results of the prior calendar month, which shall be submitted in a form approved by the Franchisor and shall be certified by the Franchisee to be correct.

The Franchisor reserves the right to disclose data derived from such reports, without identifying the Franchisee, except to the extent required by law.

15.2 Annual Financial Statements. The Franchisee shall, within ninety (90) days after the end of its fiscal year, provide to the Franchisor, by a method designated the Franchisor at its sole discretion, including, without limitation, Franchisor accessing directly from Franchisee's bookkeeping and accounting systems, e-mail, posting to a secured site, or first-class mail, annual unaudited financial statements, compiled or reviewed by an independent certified public accountant acceptable to and approved by the Franchisor and prepared in accordance with GAAP, and state and federal income tax returns prepared by a certified public accountant. If

these financial statements or tax returns show an underpayment of any amounts owed to the Franchisor, these amounts shall be paid to the Franchisor concurrently with the submission of the statements or returns. The payment of such underpayments shall not preclude Franchisor from exercising any other rights or remedies set forth in this Agreement.

15.3 Verification. Each report and financial statement to be submitted to the Franchisor hereunder shall be signed and verified under oath by the Franchisee.

15.4 Books and Records. The Franchisee shall maintain all books and records for its Franchised Store in accordance with generally accepted accounting principles, consistently applied, and preserve these records for at least five (5) years after the fiscal year to which they relate.

15.5 Audit of Books and Records. The Franchisee shall permit the Franchisor to inspect and audit the books and records of the Franchised Store at all reasonable times and without prior notice, at the Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to the Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to the Franchisor by the Franchisee, with interest from the date such payments were due at the lesser of one and one-half percent (1-1/2%) per month or the maximum rate allowed by law. In addition, if it is found by such audit that the Gross Sales of the Franchised Store have been understated by three percent (3%) or more during the period audited, the Franchisee shall pay all reasonable costs and expenses the Franchisor incurred in connection with such audit. The payment of the amounts set forth herein shall not preclude Franchisor from exercising any other rights or remedies set forth in this Agreement.

15.6 Failure to Comply with Reporting Requirements. If Franchisee fails to timely provide reports as required by Section 15.1(a) above, in addition to the requirement that such report be provided, Franchisee shall pay to Franchisor a One Hundred Dollar (\$100.00) late fee for each week such report is not timely filed. If the Franchisee fails to prepare and submit any statement or report as required under this Section 15, then the Franchisor shall have the right to treat the Franchisee's failure as a material breach of this Agreement and as good cause for termination of this Agreement. In addition to all other remedies available to the Franchisor, in the event that the Franchisee fails to prepare and submit any statement or report required under this Section 15 for two consecutive Reporting Periods, the Franchisor shall be entitled to audit, at the expense of the Franchisee, the Franchisee's books, records and accounts, including the Franchisee's bank accounts, which in any way pertain to the Gross Sales of the Franchised Store. The statements or reports not previously submitted shall be prepared by or under the direction and supervision of an independent certified public accountant selected by the Franchisor.

15.7 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor owns all business records ("Business Records") with respect to customers, suppliers, employees, and other service professionals of, and/or related to, the Franchised Store including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, customer purchase records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee. Franchisee further acknowledges and agrees that, at all times during and after the termination,

expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the Massage Green franchise system, in Franchisor's sole discretion.

## 16 ASSIGNMENT

### 16.1 Assignment by Franchisee.

(a) The Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to the Franchisee and, except as stated below, the Franchisee shall not, without the Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in the Franchisee. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Agreement by the Franchisor. Franchisor will consent to any security interest or mortgage required for any Small Business Administration (SBA) financed franchisees.

(b) If Franchisee or any permitted successor is a partnership, limited liability company ("LLC") or corporation:

(i) The Articles of Partnership, Partnership Agreement, Articles of Organization, Articles of Incorporation, by-laws and other organizational documents shall provide that the issuance and transfer of any interest in Franchisee is restricted by the terms of this Agreement. Copies of such documents and of resolutions of the Franchisee's board of directors or managers authorizing its entry into this Agreement shall be furnished to the Franchisor upon request.

(ii) All general partners, members and all direct and indirect holders of a ten percent (10%) or greater equity interest shall, upon Franchisee's execution of this Agreement, execute an agreement personally guaranteeing to the Franchisor the full payment and performance of Franchisee's obligations to the Franchisor and undertaking to be bound, individually, jointly and severally, by all the terms of this Agreement including, without limitation, the restrictions on assignment contained herein. The Personal Guaranty shall be in the form attached hereto as **Exhibit B** or in such other form as the Franchisor may from time to time prescribe.

(iii) The Franchisee shall not use the name "Massage Green" or any other Proprietary Mark, or any name deceptively similar thereto, except to reflect its franchise relationship with the Franchisor. Neither Franchisee nor any of its owners may issue or sell, or offer to issue or sell, any securities of Franchisee or an affiliate of Franchisee, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining the Franchisor's prior written consent, which is in Franchisor's sole discretion, and complying with all of the Franchisor's

requirements and restrictions concerning use of information about the Franchisor, its Affiliates or the System.

(iv) Franchisee shall furnish the Franchisor, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 16, a list of all stockholders, members, managers and partners having an interest in Franchisee, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.

(v) Franchisee, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 16 and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate:

“The transfer of this certificate and the shares it represents is subject to the terms and conditions of a certain Franchise Agreement with Massage Green International Franchise Corp. Reference is made to that Agreement and to certain restrictive provisions of the Articles and by-laws of this corporation.”

(vi) Franchisee acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Franchisor’s Proprietary Marks, Trade Secrets and operating procedures and quality, as well as the Franchisor’s high reputation and image, and are for the protection of the Franchisor, Franchisee, and other franchisees. No attempted assignment or transfer permitted by this Section 16 shall take effect without the Franchisor’s written consent.

16.2 Conditions Precedent to Franchisee’s Assignment. The Franchisee shall not sell, transfer or assign its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it or all or a substantial portion of the assets of the Franchised Store, unless the Franchisee obtains the Franchisor’s written consent, and the Franchisee and the proposed transferee comply with the each of the following requirements, unless specifically prohibited by state or federal law. Notwithstanding anything to the contrary in this Section or Section 23.19, Franchisor will not unreasonably withhold or delay its consent to a transfer that meets the requirements stated below. Franchisee acknowledges that the failure to comply with any of the following requirements shall constitute good cause for the Franchisor to refuse to permit a transfer or assignment of ownership of a franchise:

(a) Payment of all amounts due and owing pursuant to this Agreement by the Franchisee to the Franchisor or its Affiliates or to third parties whose debts or obligations the Franchisor may have (at its sole discretion) guaranteed on behalf of the Franchisee, if any;

(b) The Franchisee cures any default of any provision of this Agreement, any amendments thereof or successors thereto, or any other agreements between the Franchisee and the Franchisor, its subsidiaries or Affiliates existing at the time of the proposed transfer;

(c) The transferee must demonstrate to the Franchisor's satisfaction that the proposed transferee meets the Franchisor's then current reasonable qualifications or standards, including, without limitation: (i) the Franchisor's educational, managerial and business standards; (ii) has satisfactory franchising business reputation and credit rating; (iii) has the aptitude and ability to operate the Franchised Stores (as may be evidenced by prior related experience or otherwise); and (iv) has at least the same managerial and financial criteria required of the Franchisee and shall have sufficient equity capital to operate the Franchised Store;

(d) The proposed transferee, its owners or members of their immediate family are not directly or indirectly involved as employees, directors, owners, consultants, representatives or otherwise affiliated with a Competitive Business (as defined in Section 20.1(c) of this Agreement);

(e) Agreement by the proposed transferee to satisfactorily complete the Initial Training Program described in this Agreement, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement;

(f) An express written assumption by the proposed transferee of the Franchisee's obligations pursuant to this Agreement, or at the option of the Franchisor, execution of a Franchise Agreement in a form then currently offered by the Franchisor, the term of which may end on the expiration date of this Agreement, and which shall supersede this Agreement in all other respects. If a new Franchise Agreement is signed, the terms thereof may materially differ from the terms of this Agreement; provided, however, the transferee will not be required to pay any additional Initial Franchise Fee, but the fee set forth in Section 16.2(j) of this Agreement must be paid by Franchisee. The proposed transferee must assume and agree to discharge all of the Franchisee's obligations under the Agreements and, if deemed necessary by the Franchisor, the transferee's principals, individually, shall personally guarantee the performance of all such obligations in writing in a form satisfactory to the Franchisor;

(g) Provision by the Franchisee of written notice to the Franchisor sixty (60) days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Franchisor to evaluate the terms and conditions of the proposed transfer;

(h) The proposed transferee shall have provided information to the Franchisor sufficient for the Franchisor to assess the proposed transferee's business experience, aptitude and financial qualification, and the Franchisor shall have ascertained that the proposed transferee meets Franchisor's qualifications;

(i) Execution by the Franchisee of a full release, in a form satisfactory to the Franchisor, of the Franchisor, its Affiliates and their respective officers, directors, employees and agents, which shall include, without limitation, a full release from any and all liability, actions, causes of action, claims, demands, damages, costs, expenses, and compensation of whatsoever nature or character, whether known or unknown, foreseen or unforeseen, direct or indirect, contingent or actual, liquidated or unliquidated, whether in contract or in tort on account of or in any way connected with or related to the Franchisor's offer, sale, grant of, construction or operation of or development and/or franchise rights arising out of or relating to this Agreement and/or the relationship between Franchisor and Franchisee, and/or the relationship between the Franchisee and the Franchisor, from the inception of any contact with the Franchisor to the date of the release;

(j) Payment by the Franchisee or the proposed transferee of Five Thousand Dollars (\$5,000.00), which Franchisee agrees constitutes the Franchisor's costs for evaluating the proposed transferee and shall not be refundable in the event that the Franchisor rejects the proposed transferee or the transfer is not, for any reason, consummated at least thirty (30) days prior to the date of the proposed transfer; and

(k) Agreement by the Franchisee to abide by the post termination covenant not to compete set forth in Section 20.2 below and all other applicable continuing obligations under this Agreement.

16.3 Franchisor's Approval of Transfer. The Franchisor shall have sixty (60) days from the date of the written notice to approve or disapprove in writing of the Franchisee's proposed assignment. The Franchisee acknowledges that the proposed transferee shall be evaluated for approval by the Franchisor based on the same criteria as is currently being used to assess new franchisees of the Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If the Franchisor has not given the Franchisee notice of its approval or disapproval within such period, the request for the transfer or assignment is deemed rejected.

16.4 Right of First Refusal. In the event the Franchisee wishes to sell, transfer or assign its rights under this Agreement or any interest in it, or any part or portion of any business entity that owns it, or all or a substantial portion of the assets of the Franchised Store, the Franchisee agrees to grant to the Franchisor a sixty (60) day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to the Franchisee by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

(a) The Franchisee shall notify the Franchisor of such offer by sending a written notice to the Franchisor (which notice may be the same notice as required by Section 16.2(g) above), enclosing a copy of the written offer from the proposed purchaser;



(b) The sixty (60) day right of first refusal period will run concurrently with the period in which the Franchisor has to approve or disapprove the proposed transferee;

(c) Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer (including, without limitation, a change in the offered price) shall be deemed a separate offer on which a new sixty (60) day right of first refusal shall be given to the Franchisor;

(d) If the consideration or manner of payment offered by a third party is such that the Franchisor may not reasonably be required to furnish the same, then the Franchisor may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, the cash consideration shall be determined by an independent appraiser, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally by the Franchisor and the Franchisee. If the parties cannot agree within a reasonable time to the appointment of a single independent appraiser, the Franchisor and the Franchisee shall each select an independent, qualified appraiser, and the two so selected shall select a third appraiser, all three to determine the equivalent cash consideration payable. The cash consideration shall be the median of the cash value as determined by the three appraisers; and

(e) If the Franchisor chooses not to exercise its right of first refusal, the Franchisee shall be free to complete the sale, transfer or assignment, subject to compliance with Sections 16.2 and 16.3 above. Absence of a reply to the Franchisee's notice of a proposed assignment or sale within the sixty (60) day period is deemed a waiver of such right of first refusal.

16.5 Types of Transfers. The Franchisee acknowledges that the Franchisor's right to approve or disapprove of a proposed assignment, sale or transfer as provided for above shall apply: (a) if the Franchisee is a partnership, limited liability company or other business association, to the addition or deletion of a member, partner or members of the association or the transfer of any partnership or membership among existing partners or members; (b) if the Franchisee is a corporation, to any proposed transfer or assignment of twenty percent (20%) or more of the stock of the corporate Franchisee, whether such transfer occurs in a single transaction or several transactions; and (c) if the Franchisee is an individual, to the transfer from such individual or individuals to a corporation controlled by them, in which case the Franchisor's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of shares which would affect a change in ownership of twenty percent (20%) or more of the stock in the corporation being conditioned on the Franchisor's prior written approval; (iii) a limitation on the corporation's business activity to that of operating the Franchised Store and related activities; and (iv) other reasonable conditions as Franchisor may specify at its sole discretion. With respect to a proposed transfer as described in Section 16.5(a) and Section 16.5(c) above, the Franchisor's right of first refusal to purchase, as set forth above, shall not apply and the Franchisor will waive any transfer fee chargeable to the Franchisee for a transfer under these circumstances.

16.6 Assignment by the Franchisor. Franchisee acknowledges that Franchisor's obligations under this Agreement are not personal to Franchisor, and Franchisor can unconditionally transfer or assign, on its own discretion, this Agreement, and any rights or obligations thereunder, to another corporation or any other party without approval by Franchisee, any other franchisee or any other person.

(a) Franchisor reserves the right to assign the franchise system to anyone including the operator of a competing franchise system. Franchisor shall have the absolute right to transfer or assign this Agreement or any of its rights or obligation under this Agreement to any other person.

(b) Franchisee acknowledges and agrees that Franchisor may sell its assets, the Proprietary Marks or the System to any third party of Franchisor's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without Franchisee's consent and, provided the transferee expressly assumes and undertakes to perform Franchisor's obligations in all material respects, free of any responsibility or liability whatsoever to Franchisee after the transaction occurs.

(c) With regard to any of the above sales, assignment and dispositions, Franchisee expressly and specifically waives any claims, demands, or damages against Franchisor arising from or related to the transferor or assignment of this Agreement, the Proprietary Marks or the System from Franchisor to any other party.

16.7 Franchisee's Death or Disability. If Franchisee or owners owning 20% or more of the Franchisee entity (if Franchisee is a corporation, partnership, limited liability company or other entity) dies or becomes permanently disabled, Franchisee's or its owner's rights under this Agreement will pass to the estate, heirs, devisees or legal representatives of Franchisee or its owner (collectively referred to in this Agreement as the "estate"). The estate may continue operation of the Franchised Store if: (a) the Franchised Store is not closed for more than 14 days and is thereafter operated in accordance with applicable law; (b) the estate provides a qualified individual acceptable to Franchisor to manage and operate the Franchised Store on a full time basis; (c) the manager attends and successfully completes Franchisor's training program at the estate's expense; and (d) the manager assumes full time operation of the Franchised Store within 90 days of the date Franchisee or the owner dies or becomes incapacitated. If the estate fails to designate an acceptable manager or the designated manager fails to attend and satisfactorily complete the training program and to assume the full time operation of the Franchised Store within 90 days of the death or incapacity, then the estate must sell the estate's interest in the Franchised Store or in this Agreement within 180 days of the date of death or incapacity. Any sale is subject to Franchisor's right of first refusal under Section 16.4 and subject to Franchisor's consent under Sections 16.2 and 16.3. Failure to transfer the interest within the 180 day period shall constitute a breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably

expected to prevent or actually does prevent the Franchisee or the owner from supervising the management and operation of the Franchised Store for a period of one hundred twenty (120) days from the onset of such disability, impairment or condition.

## **17 TERM AND EXPIRATION**

17.1 Term. This Agreement shall automatically expire at the end of the initial term (“Initial Term”) of this Agreement, which shall be a period of ten (10) years from the date of this Agreement, unless sooner terminated as provided for herein or unless extended for an additional term as provided for in Section 17.2 herein.

17.2 Option for One (1) Additional Term Upon Expiration. At the end of the Initial Term hereof the Franchisee may renew its franchise rights for one (1) additional term (“Additional Term”), which shall automatically expire ten (10) years from the end of the Initial Term, unless sooner terminated as provided for herein, if the Franchisor does not exercise its right not to offer to renew the franchise in accordance with Section 17.3 below and if:

(a) At least one hundred and eighty (180) days prior to expiration of the Initial Term and no sooner than two hundred and seventy (270) days prior to expiration of the Initial Term, Franchisee gives Franchisor written notice of its intention to exercise an additional term and executes the form of Franchise Agreement then in use by the Franchisor which may include materially different terms, including, without limitation, a different royalty rate, advertising fees, and additional or different fee amounts;

(b) Franchisee has at all times complied with all provisions of this Agreement during the Initial Term, including, without limitation, the payment on a timely basis of all Royalty Fees and other fees due hereunder. The Initial Term shall include the period subsequent to the Franchisee giving written notice as provided in this Section 17. “Compliance” shall mean, at a minimum, that the Franchisee has not received any written notification from the Franchisor of breach hereunder;

(c) Notwithstanding any provision to the contrary, at the request of the Franchisor, Franchisee upgrades and remodels the Franchised Store and its operations at the Franchisee’s sole expense to conform with the then current Operations Manual (the completion of such upgrades shall be a condition of Franchisee receiving such additional term);

(d) Franchisee pays a renewal fee in an amount equal to one-half of the initial franchise fee being charged by Franchisor at the time of renewal, which must be paid at least ninety (90) days prior to expiration of the Initial Term; and executes a release, in a form satisfactory to the Franchisor, of the Franchisor, its Affiliates and their respective officers, directors, employees and agents from any and all liability, actions, causes of action, claims, demands, damages, costs, expenses, and compensation of whatsoever nature or character, whether known or unknown, foreseen or unforeseen, direct or indirect, contingent or actual, liquidated or unliquidated, whether in contract or in tort on account of or in any way connected with or related to the Franchisor’s offer, sale, grant

of, construction or operation of or development and/or franchise rights arising out of or relating to this Agreement, and/or the relationship between the Franchisee and the Franchisor, from the inception of any contract with the Franchisor to the date of the release;

(e) Franchisee presents evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Franchised Location for the duration of the additional term.

17.3 Conditions of Refusal. The Franchisor shall not be obligated to offer the Franchisee such additional term upon the expiration of the Initial Term of this Agreement if the Franchisee fails to comply with any of the above conditions of renewal. In such event, except for failure to execute the then current Franchise Agreement, the Franchisor shall give notice of expiration and its determination to refuse to grant an additional term at least ninety (90) days prior to the expiration of the Initial Term. If Franchisee fails to execute the then-current Franchise Agreement, the Franchisor may thereafter provide notice of its right not to renew. Upon the expiration of this Agreement, the Franchisee shall comply with all of its obligations upon termination or expiration of the Agreement, including, without limitation, the provisions of Section 18.4 below.

## **18 DEFAULT AND TERMINATION**

18.1 Termination by Franchisor - Effective Upon Notice. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective immediately upon notice to the Franchisee, addressed as provided in Section 23.11, upon the occurrence of any of the following events:

(a) Unauthorized Disclosure. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual or any other Trade Secrets or other confidential information of the Franchisor;

(b) Abandonment. If the Franchisee abandons the Franchised Store for a period of five (5) consecutive days, or any shorter period that indicates an intent by the Franchisee to discontinue operation of the Franchised Store, unless such abandonment is due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee; In addition to, or instead of termination, Franchisor may impose a fee of One-Thousand Dollars (\$1,000.00) for each day your business is not opened fully during normal business hours, as set forth in Exhibit A to this Agreement, unless due to fire, flood, earthquake or other similar causes beyond the Franchisee's control and not related to the availability of funds to the Franchisee;

(c) Insolvency; Assignments; Appointment of Receiver; Proceedings for Composition. If the Franchisee becomes insolvent or is adjudicated bankrupt; or any

action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, or if the Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for the Franchisee or if proceedings for a composition with creditors under any state or federal law should be instituted against Franchisee:

(d) Unsatisfied Judgments; Levy; Foreclosure. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the Franchised Store or to foreclose on any lien against assets of the Franchised Store, and is not discharged or dismissed within five (5) days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

(e) Criminal Conviction. If the Franchisee, the Manager or any owner of greater than 20% of the stock, membership interests or partnership interests of the Franchisee entity or operator is charged or convicted of a felony, a crime involving moral turpitude or fraud, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the System, Proprietary Marks, goodwill or reputation thereof;

(f) Failure to Make Payments. If the Franchisee fails to make any payment of any amounts due the Franchisor or Affiliates within thirty (30) days after receiving written notice that such fees or amounts are overdue, or fails to pay any royalty, fee and other amounts when due, three (3) times within any twenty-four (24) month period, regardless of whether the defaults were cured by the Franchisee;

(g) Misuse of Proprietary Marks. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Proprietary Marks, including, without limitation, any such direction or guidelines set forth in the Operations Manual or this Agreement, and fails to correct the misuse or failure within ten (10) days after receiving written notice from the Franchisor of such misuse or failure;

(h) Repeated Noncompliance. If the Franchisee has received three (3) notices of default with respect to Franchisee's obligations hereunder from the Franchisor within any twenty-four (24) month period, regardless of whether the defaults were cured by the Franchisee;

(i) Unauthorized Transfer. If the Franchisee sells, transfers or otherwise assigns the franchise, an interest in the franchise or the Franchisee entity, this Agreement, the Franchised Store or a substantial portion of the assets of the Franchised Store owned by the Franchisee without complying with the provisions of Section 16 above;

(j) Understatement of Revenues. If the Franchisee submits on two (2) or more occasions during the Initial or Additional Term a report, financial statement, tax

return, schedule or other information or supporting record which understates its Gross Revenues by more than three percent (3%), unless the Franchisee demonstrates, to Franchisor's satisfaction, that such understatement resulted from inadvertent error;

(k) Financial Reporting. If the Franchisee fails, or refuses, to submit any report, financial statement, tax return, schedule or other information or supporting records required herein, or submits such reports more than five (5) days late on two (2) or more occasions during the Initial or Additional Term, unless due to circumstances beyond the control of the Franchisee;

(l) Unauthorized Merchandise, Product or Service. If the Franchisee sells or offers for sale at the Franchised Location any unauthorized merchandise, product or service.

(m) Failure to Successfully Complete the Initial Training. If Franchisor determines, in its sole discretion, that Franchisee or its Manager are unable to satisfactorily complete the Initial Training Program and Franchisor exercises its option to terminate the Franchise Agreement.

(n) Failure to Deliver Lease or Purchase Agreement. If Franchisee fails to deliver to the Franchisor an executed lease or purchase agreement within one hundred eighty (180) day time period or, if applicable, the additional ten (10) day period set forth in Section 4.1 of this Agreement.

(o) Material Misrepresentations. If Franchisee made or makes any material misrepresentation in any information or report provided prior to or during the term of this Agreement, including any additional term.

(p) Failure to Attend Two Consecutive Annual Conventions. If Franchisee fails to attend two consecutive annual conventions that it is required to attend under Section 5.4.

(q) Failure to Have Trained Manager(s) or Certified Therapists. If Franchisee fails to have in its employ Manager(s) pursuant to the terms set forth in Section 5.1, or the requisite number of certified massage therapists pursuant to the terms set forth in Section 5.4 of this Agreement.

(r) Failure to Meet Minimum Sales Requirement for Two 12-Month Periods. If Franchisee fails to meet the minimum sales requirement for two 12-month periods as provided in Section 2.2 of this Agreement.

18.2 Termination by Franchisor - Thirty Days Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where such state law shall prevail), effective upon thirty (30) days written notice to the Franchisee, if the Franchisee breaches any other provision of this Agreement and fails to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to the

Franchisee, effective upon expiration of the thirty (30) day period. Defaults under this Section shall also include the following, even if such actions do not constitute a breach of this Agreement:

(a) Failure to Maintain Standards. The Franchisee fails to maintain and/or adhere to the then current operating procedures and standards established by the Franchisor as set forth herein or in the Operations Manual or otherwise communicated to the Franchisee.

(b) Deceptive Practices. The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Proprietary Marks or under a name or mark which is confusingly similar to the Franchisor's Proprietary Marks.

(c) Failure to Obtain Consent. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement.

(d) Failure to Comply with Operations Manual. The Franchisee fails or refuses to comply with the then current requirements of the Operations Manual.

(e) Breach of Related Agreement. The Franchisee defaults under any term of the lease for the Franchised Location, any other franchise agreement with the Franchisor for any franchised location, or any other agreement relating to the Franchised Store and such default is not cured within the time specified in such lease, other franchise agreement or other agreement.

(f) Harm to Goodwill. If Franchisee commits any act that substantially harms, or threatens to harm, the goodwill associated with the System or the Proprietary Marks.

(g) Termination of Lease. The lease for the Franchised Location is terminated for any reason.

18.3 Right to Repurchase. Upon termination or expiration of this Agreement for any reason, the Franchisor shall have the option, but not the obligation, to purchase the Franchised Store, which may include, at the Franchisor's option, some or all of the Franchisee's interest, if any, in and to the real estate upon which the Franchised Store is located, all structures and other improvements thereon, including leasehold interests, and all supplies and inventory at the then-current fair market value, less any amount apportioned to the goodwill of the Franchised Store which is attributable to the Franchisor's Proprietary Marks and System, and less any amounts owed to the Franchisor by the Franchisee and the cost of the agreed upon or independent appraiser (as discussed below), if any. This right to repurchase described in this Section will not apply to the Franchisee's interest in real estate unless Franchisee agrees to sell the real estate to Franchisor at that time. The following additional terms shall apply to the Franchisor's exercise of this option:

(a) The Franchisor's option hereunder shall be exercisable by providing the Franchisee with written notice of its intention to exercise the option given to the Franchisee no later than the effective date of termination, in the case of termination, or at least ninety (90) days prior to the expiration of the Initial Term of the franchise, in the case of non-renewal.

(b) In the event that the Franchisor and the Franchisee cannot agree upon a fair market value of the Franchised Store, then the fair market value shall be determined by one or more independent third party appraiser(s). The Franchisor and the Franchisee shall attempt to agree on one (1) independent third party appraiser. In the event that they cannot agree on a single one (1) independent third party appraiser, the Franchisor and the Franchisee shall each select one (1) qualified party appraiser, and the two so selected party appraisers shall select a third independent appraiser, all three to determine the fair market value of the Franchised Store. The purchase price shall be the fair market values as determined by the one (1) appraiser or, if applicable, the median of the fair market values as reasonably determined in good faith by the three (3) appraisers.

(c) The Franchisor and the Franchisee shall each bear all costs for their own party appraisers, if applicable.

(d) The Franchisor and the Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by the Franchisor, in the real property records and the Franchisor and the Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording.

(e) The closing for the purchase of the Franchised Store will take place within sixty (60) days after the termination or nonrenewal date. The Franchisor will pay the purchase price in full at the closing, or, at its option, in five (5) equal consecutive monthly installments with interest at a rate of six percent (6%) per annum. The Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the Franchised Store by the Franchisor.

In the event that the Franchisor does not exercise the Franchisor's right to repurchase the Franchisee's Franchised Store as set forth above, the Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of its Franchised Store; provided, however, that all appearances of the Proprietary Marks are first removed in a manner approved in writing by the Franchisor in its sole discretion. The Franchisor shall not be obligated to repurchase any assets of the Franchised Store except in the event and to the extent it is required by applicable state or federal law.

18.4 Obligations of Franchisee Upon Termination or Expiration. The Franchisee is obligated upon termination or expiration of this Agreement to immediately:

(a) Pay to the Franchisor, its Affiliates, vendors, the Local Advertising Cooperative and the National Advertising Fund, all Royalty Fees, other fees, and any and all other amounts then owed them pursuant to this Agreement, or pursuant to any other



agreement, whether written or oral, between the respective parties. In the event of termination for any default by Franchisee, such sums shall include all actual and consequential damages, costs and expenses, including reasonable attorneys' fees and expenses, incurred by the Franchisor as a result of the default (whether such fees and expenses are incurred through use of the Franchisor's own legal staff or otherwise), and late payment charges thereon until paid at the lower of (i) the highest rate permitted by Michigan law, or (ii) one and one-half (1 ½%) per month. Franchisee acknowledges and agrees that the proximate cause of the actual and consequential damages sustained by Franchisor is Franchisee's act of default and not Franchisor's exercise of its right to terminate this Agreement. The foregoing obligation shall give rise to and remain, a lien in favor of the Franchisor against any and all of the assets of the Franchisee at the time of default including specifically, but not limited to, the Franchised Store;

(b) Discontinue all use, imitation or duplication of all distinguishing characteristics of the System, including but not limited to, Massage Green Trade Secrets, the Proprietary Marks, Massage Green signs, symbols, devices, copyrights, trade names, trademarks, or other materials, including, without limitation, all brochures, invoices, business cards, advertisements or any other materials that mention or contain the Massage Green Trade Secrets, the Proprietary Marks, Massage Green signs, symbols, devices, copyrights, trade names or trademarks;

(c) Immediately cease to identify the Franchised Location as being, or having been, associated with the Franchisor, immediately cease using any Proprietary Mark of the Franchisor or any mark in any way associated with Proprietary Marks and System, immediately cease from using the System, or any parts thereof, and immediately cease from holding itself out to the public in any way as a member of or as a former member of the System or as a current or former Franchisee, affiliate or operator of the System;

(d) Deliver to the Franchisor all signs, sign faces, advertising materials, point of sale material, forms and other materials bearing any of the Proprietary Marks or otherwise identified with the Franchisor and obtained by and in connection with this Agreement;

(e) Immediately deliver to the Franchisor the Operations Manual and all other information, documents and copies thereof (authorized or otherwise) which are proprietary to the Franchisor;

(f) Promptly cause to be canceled all fictitious or assumed names or equivalent registrations relating to its use of any Proprietary Marks, which are under the exclusive control of the Franchisor, or, at the option of the Franchisor, assign the same to the Franchisor;

(g) Take such action within five (5) days as may be required to cancel or assign, in Franchisor's sole and absolute discretion, all registrations relating to its use of any of the Proprietary Marks. Franchisee shall notify the telephone company, all listing agencies, and all internet service providers of the termination or expiration of the

Franchisee's right to use any telephone number, any classified or other telephone directory listings, and any domain names associated with the Proprietary Marks and shall authorize the transfer of same to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in all telephone numbers, directory listings, and domain names used by Franchisee to promote the Franchised Store and/or associated with the Proprietary Marks. The Franchisee hereby irrevocably appoints the Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Such appointment is evidenced by **Exhibit E**;

(h) Abide by all restrictive covenants set forth in Section 20 of this Agreement;

(i) Discontinue use of any web sites or email addresses which were used in connection with the Franchised Store; and

(j) Abide by all other conditions or obligations of Franchisee in this Agreement that continue after termination or expiration of this Agreement.

18.5 Franchisor's Rights to Remove Proprietary Marks. If, within five (5) days after termination or expiration of this Agreement by Franchisor, Franchisee fails to remove all displays of the Proprietary Marks, or any names and marks which are identified or associated with the Proprietary Marks and System, Franchisor may enter the Franchised Store to effect removal. In this event, Franchisee agrees that it may not file any complaint or action against Franchisor for trespass or any other violation or claim, nor shall Franchisor be accountable or required to pay for any displays or materials. Franchisee agrees that this Agreement shall constitute Franchisee's complete consent to such entry set forth in this Section 18.5 of the Agreement.

18.6 Appointment of Franchisor as Attorney-in-Fact. If, within thirty (30) days after termination or expiration Franchisee has not taken all steps necessary to amend or terminate any registration, telephone number, email address, domain name, or filing of any business name or d/b/a or any other registration or filing containing the Proprietary Marks or any names and marks which are identified or associated with the Proprietary Marks and System, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the Proprietary Marks and System.

18.7 No Waiver. Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration.

18.8 Monetary Obligations. Termination or expiration of this Agreement by Franchisor shall not terminate or otherwise impact any monetary obligations owed by Franchisee to Franchisor, its Affiliates, the Local Advertising Cooperative and the National Advertising Fund. Termination or expiration of this Agreement by Franchisor shall not be an exclusive remedy and shall not in any way affect the rights of Franchisor, its Affiliates, the Local Advertising Cooperative and the National Advertising Fund to receive, or collect fees or other amounts payable by Franchisee under this Agreement, to enforce the provisions of this Agreement against Franchisee, to sue for damages, seek and obtain ex-parte or other injunctive relief, to pursue any other legal or equitable remedy for breach of this Agreement by Franchisee, or otherwise constitute a waiver of any of Franchisor's other rights upon the occurrence of an event giving rise to the right to terminate by Franchisor. Franchisor, its Affiliates, the Local Advertising Cooperative and the National Advertising Fund shall not be obligated following any such termination, expiration or cancellation, to refund any amount previously paid by Franchisee under the terms of this Agreement.

18.9 Damages. In the event this Agreement is terminated prior to its expiration as set forth in Sections 18.1 and 18.2 above, the Franchisee acknowledges and agrees that, in addition to all other available remedies, the Franchisor shall have the right to recover lost future royalties during any period in which the Franchisee fails to pay such royalties through and including the remainder of the then current Initial Term or, if applicable, the Additional Term. Nothing in this Section 18 will preclude Franchisor from seeking other remedies against Franchisee under state or federal laws or under this Agreement, including, but not limited to, attorneys' fees, punitive damages and injunctive relief.

18.10 Notification of Address and Telephone Numbers. Franchisee shall, for three (3) years following any termination or expiration of this Agreement, keep Franchisor advised of its current business and residence address and telephone numbers, as well as the business address and phone number of its employer and the employer(s) of any principal owners of Franchisee.

18.11 Solicitations. Upon expiration or termination, Franchisee shall allow Franchisor, its Affiliates and other franchisees of Franchisor to solicit Franchisee's employees for employment.

18.12 Future Names. Franchisee shall refrain from adopting or using in connection with, or in the name of, any subsequent business the terms or prefixes or suffixes "MASSAGE" or "GREEN" or any term confusingly similar to such term or any other term which may have the effect of creating confusion or question regarding his/her affiliation with the System or the Franchisor, including without limitation, any name, term or prefix and/or suffix.

## **19 INDEPENDENT CONTRACTOR**

19.1 Independent Contractor. The Franchisee acknowledges that it is an independent contractor and is not an agent, member, partner, joint venturer, affiliate or employee of the Franchisor. 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 authorized by or conducted pursuant to this

Agreement. The Franchisor and the Franchisee agree that no partnership, shareholder, membership, fiduciary relationship, joint venture or employment relationship, or any other relationship, other than franchisor and franchisee, exists between them. The Franchisee shall conspicuously identify itself in all dealings with the public as an entity separate from the Franchisor. It is expressly agreed that the parties intend by this Agreement to establish between Franchisor and Franchisee the relationship of franchisor and franchisee. It is further agreed that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Franchisee agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Franchisor. All employees hired by or working for Franchisee shall be the employees of Franchisee and shall not, for any purpose, be deemed employees of Franchisor or subject to Franchisor's control. Franchisee shall have the sole right and responsibility to hire and fire its employees and shall have the sole responsibility for training such employees (in addition to the training of the Manager by the Franchisor) and insuring that such employees adhere to all applicable federal, state and local laws, rules, regulations and ordinances. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. Franchisee must prominently display, by posting a sign within the public view on or in the Franchised Store, a statement approved by the Franchisor that clearly indicates that the Franchised Store is independently owned and operated as a Franchised Store.

19.2 Payment of Third Party Obligations. The Franchisor shall have no liability for the Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any value added, sales, use, service, occupation, excise, gross sales, income, property or other tax levied upon the Franchisee, the Franchisee's property, the Franchised Store or upon the Franchisor in connection with the sales made or business conducted by the Franchisee (except any taxes the Franchisor is required by law to collect from the Franchisee with respect to purchases from the Franchisor).

19.3 Indemnification. The Franchisee agrees to indemnify, defend and hold harmless the Franchisor, its subsidiaries and Affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assigns, (the "Indemnified Parties") against, and to reimburse them for all claims, obligations and damages described in this Section 19.3, any and all third party obligations described in Section 19.2 above and any and all claims and liabilities directly or indirectly arising out of the operation of the Franchised Store or arising out of the use of the Proprietary Marks and System in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys', attorney assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 20 RESTRICTIVE COVENANTS

20.1 In-Term Competition. During the Term, Franchisee agrees that neither Franchisee, nor any of its owners (nor any of Franchisee's or its owners' spouses or children) or Managers will:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, wherever located or operating; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent, owner (of 5% or more of the voting securities or membership interests) or otherwise, for a Competitive Business, wherever located or operating.

(c) Competitive Business. The term "Competitive Business" as used in this Agreement means any business operating, and/or granting franchises or licenses to operate, a business which operates, directly or indirectly, massage therapy or holistic products deriving more than ten percent (10%) of its Gross Sales from the sale of massage therapy service and related products.

20.2 Post-Term Competition. Upon termination or expiration, or the transfer, sale or assignment of this Agreement by Franchisee, neither Franchisee nor its Manager(s) or owners will have any direct or indirect interest (i.e. through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for two (2) years, in any Competitive Business, at or within 10 (ten) miles of the former Franchised Location, or within five (5) miles of any other then operating store franchised or operated by the Franchisor or any of its Affiliates. If any person restricted by this provision refuses voluntarily to comply with the foregoing obligations, the two (2) year period will commence with the entry of any order or judgment of a court or arbitrator enforcing this provision.

(a) Franchisee expressly acknowledges that it possesses skills and abilities of a general nature and has other opportunities to exploit such skills. Consequently, enforcement of the covenants set forth above will not deprive Franchisee of the ability to earn a living.

(b) The parties have attempted in Section 20.2 above to limit the Franchisee's right to compete only to the extent necessary to protect the Franchisor from unfair competition. It is the desire and intent of the parties to this Agreement, including Franchisee's Managers, shareholders, partners or members, that the provisions of this Section 20.2 be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this Section is adjudicated to be invalid or unenforceable, then this Section will be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Section and the particular jurisdiction in which such adjudication is made. Further, to the extent any provision of this Section 20.2 is deemed unenforceable by

virtue of its scope or limitation, the parties to this Agreement, including Franchisee and Franchisee's Managers, shareholders, partners or members, agree that the scope and limitation provisions will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

(c) The parties expressly agree that the time and geographical limitations contained in this Section are reasonable and necessary to protect Franchisor and other franchisees from unfair competition if this Agreement expires or is terminated for any reason.

20.3 Confidentiality of Proprietary Information and Trade Secrets. The Franchisee shall treat the Trade Secrets and all information it receives which comprises or is a part of the System licensed hereunder as proprietary and confidential ("Confidential Information") and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Franchisor's written consent. The Franchisee acknowledges that the Proprietary Marks and the System have valuable goodwill attached to them, that the protection and maintenance thereof is essential to the Franchisor and that any unauthorized use or disclosure of the Proprietary Marks will result in irreparable harm to the Franchisor.

(a) The Franchisee acknowledges that the Trade Secrets and other Confidential Information are valuable assets of the Franchisor and are disclosed to the Franchisee on the condition that the Franchisee, and the Franchisees' owners, Managers and employees who have access to the Confidential Information, agree that during and after the Term of the applicable agreement they: (i) will not use the Confidential Information or Trade Secrets in any other business or capacity or disclose the Trade Secrets to any third party unless specifically authorized by Franchisor; (ii) will maintain the absolute confidentiality of the Confidential Information and Trade Secrets; (iii) will not make unauthorized copies of any portion of the Confidential Information or Trade Secrets disclosed in written or other tangible form; and (iv) will adopt and implement all reasonable procedures the Franchisor periodically requires in its sole discretion to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets including requiring employees (including, without limitation, all Managers) and owners who have access to the Trade Secrets or Confidential Information to execute confidentiality and noncompetition agreements as the Franchisor may require periodically, and provide the Franchisor, at the Franchisor's request, with signed copies of each of those agreements.

(b) The restrictions on the disclosure and use of the Confidential Information and Trade Secrets will not apply to the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Franchisee is legally compelled to disclose the information, if the Franchisee has notified the Franchisor before disclosure and used the Franchisee's best efforts, and afforded the Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Franchisor of confidential treatment for the information required to be so disclosed.

(c) The Franchisee must disclose to the Franchisor all ideas, concepts, methods, techniques and products concerning the development and operation of Franchised Stores the Franchisee or the Franchisees' Managers or employees conceive or develop during the Term of this Franchise Agreement. Franchisor shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source and the Franchisee must grant to the Franchisor and agree to procure from the Franchisees' affiliates, owners or employees a perpetual, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the development and operation of Franchised Stores that the Franchisee or Franchisees' employees conceive or develop during the Term in all businesses the Franchisor operates. The Franchisor will have no obligation to make any lump sum or on-going payments to the Franchisee with respect to any such idea, concept, method, technique or product. The Franchisee must agree that the Franchisee will not use nor will the Franchisee allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

20.4 Nondisclosure and Noncompetition. The Franchisor reserves the right to require that the Franchisee cause each of its officers, directors, partners, shareholders, members and Manager, and, if the Franchisee is an individual, immediate family members, to execute a nondisclosure and noncompetition agreement containing the above restrictions, in a form approved by the Franchisor.

## 21 INSURANCE

21.1 Insurance Coverage. The Franchisee shall, at the Franchisee's expense, procure and maintain at least the following level of insurance over the Franchised Store and all of its operations (a) comprehensive general liability in the amount of \$2,000,000 per occurrence and \$5,000,000 aggregate or greater if required by the lease of the Franchised Location; such policy will cover claims of bodily injury, property damage, personal injury, advertising injury and shall include a waiver of subrogation in favor of the Franchisee; (b) automobile liability in an amount not less than \$1,000,000 for owned, non-owned and hired vehicles used in the franchise; (c) statutory workers' compensation insurance and employer's liability of \$1,000,000/\$1,000,000/\$1,000,000; (d) property insurance equal to 100% of the replacement cost value of furniture, fixtures, equipment and improvements at each Franchised Location, including a special causes of loss form; and (e) unemployment insurance. These policies must name the Franchisor, its Affiliates and their directors, officers and employees as additional insureds and must provide that Franchisor will be given thirty (30) days written notice of cancellation. All policies will be effective no later than the effective date of the lease of Franchised Location and coverage will be provided by an insurance company with a Best's Insurance rating of A- VII or better. Franchisor may, in its sole discretion, modify the above minimum insurance requirements from time to time in our sole and absolute discretion and notify you of the changes in writing or through revisions to the Operations Manual.

21.2 Proof of Insurance Coverage. Ten (10) days prior to commencement of the operation of your Franchised Store, the Franchisee must provide written proof of coverage to the Franchisor in the form of a certificate of insurance using a form to be specified by Franchisor.

Annually, the Franchisee will provide the Franchisor a certificate of insurance thirty (30) days prior to the renewal of such policies. Non-compliance with the insurance provisions set forth herein shall be deemed a material breach of the Agreement. The Franchisor shall also have the right to place the minimum required coverage on the behalf of the Franchisee and charge back all premiums including an administrative fee to be determined at the time of the charge back. Franchisee shall have the minimum required insurance in effect at all times.

## **22 ARBITRATION, INJUNCTIVE RELIEF AND LIMITATION OF ACTIONS**

### **22.1 Arbitration of Disputes or Controversies, Injunctions and Limitation of Actions.**

Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the franchise or this Agreement or the relationship of the Franchisee and Franchisor or any parent, subsidiary or Affiliate of Franchisor, including, but not limited to, any claim by Franchisee or any person in privity with or claiming through, on behalf of or in the right of Franchisee, concerning the entry into, performance under, or termination or expiration of, this Agreement or any other agreement entered into by Franchisor, or its parent, subsidiaries or Affiliates, and Franchisee, any claim against a past or present employee, officer, director or agent of Franchisor or its parent, subsidiaries or Affiliates; any claim of breach of this Agreement; and any related claims arising under State or Federal laws, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Unless prohibited by applicable law, any claim shall be made by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost. Persons in privity with or claiming through, on behalf of or in the right of Franchisee include but are not limited to, owners, shareholders, members of Franchisee and their spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the then current commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held at the office of the American Arbitration Association located in Southfield, Michigan or, if that office relocated, to such relocated location. Notwithstanding the foregoing, Franchisee consents to allow Franchisor to seek injunctive relief in any state or Federal Court in Michigan or elsewhere for any dispute which involves the Franchisee's improper usage of any of the Proprietary Marks or the System business concept or any issues related to Franchisee's disclosure or misuse of Trade Secrets or Confidential Information or alleged violations of Section 20 of this Agreement. The parties expressly consent to personal jurisdiction in the State of Michigan and agree that such court(s) will have jurisdiction over any such issues not subject to arbitration.

22.2 The arbitrator shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator shall be final and binding on the



parties and may be enforced by judgment or order of a court having subject matter jurisdiction in Michigan or elsewhere. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

22.3 Arbitration under this Agreement shall be on an individual basis only and the parties to arbitration under this Agreement shall not include, by class action, consolidation, joinder or in any other manner, any person other than the Franchisee and any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor, unless all parties to the arbitration so consent in writing and at their sole discretion. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Franchisor and the Franchisee or any person in privity with or claiming through, in the right of or on behalf of the Franchisee or the Franchisor.

## **23 MISCELLANEOUS PROVISIONS**

23.1 Modification. This Agreement may only be modified or amended by a written document executed by the Franchisee and the Franchisor. The Franchisee acknowledges that the Franchisor may modify its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Proprietary Marks and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination.

23.2 Entire Agreement. This Agreement, including all exhibits and addenda, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. The Franchisee agrees and understands that the Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation, fraudulent inducement, or silent fraud based on any such oral representation or commitments, or non-disclosure of any information, and that no modifications of this Agreement (except those specifically authorized herein) shall be effective except those in writing and signed by both parties. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement. Franchisee acknowledges that it has not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the franchise, provided by the Franchisor or its representatives or any other matters pertaining to the franchise from Franchisor or any of its officers, employees or agents that were not contained in this Agreement or the Franchise Disclosure Document received by Franchisee (hereinafter "Representations"). Franchisee further acknowledges that if it had received any such Representations, it would not have executed this Agreement, and Franchisee would have: (a) promptly notified the Franchisor in writing of the person or persons making such Representations; and (b) provided to Franchisor a specific written statement detailing the Representations made. Nothing in this Agreement or in any related

agreement is intended to disclaim the representations made by the Franchisor in the Franchise Disclosure Document.

23.3 Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement and Franchisor's Franchise Disclosure Document in its possession for a period of time not less than fourteen (14) days, or longer if required by applicable state law, during which time the Franchisee has had the opportunity to submit the same to advisors, including attorneys, consultants and accountants regarding professional review and advice of the Franchisee's choosing prior to freely executing this Agreement. Franchisee acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon Franchisee. Franchisee was advised by the Franchisor to consult an attorney or other advisor prior to the execution of this Agreement to review the Franchisor's Franchise Disclosure Document; to review this Agreement in detail; to review all other legal documents; to review the economics, operations and other business aspects of System; to advise Franchisee about all federal, state and local laws, rules, ordinances, special regulations and statutes that may apply to Franchisee's Franchised Store; and to advise Franchisee about its economic risks, liabilities, obligations and rights under this Agreement.

23.4 No Right to Set Off. The Franchisee shall not be allowed to set off amounts owed to Franchisor for Royalty Fee, or other amounts due hereunder, against any monies owed to Franchisee, which right of set off is hereby expressly waived by the Franchisee.

23.5 Delegation by the Franchisor. From time to time, the Franchisor shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are third parties, agents of the Franchisor or independent contractors which the Franchisor has contracted with to provide such services. The Franchisee agrees in advance to any such delegation by the Franchisor of any portion or all of its obligations and duties hereunder.

23.6 Injunctive Relief. Nothing herein shall prevent the Franchisor from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for the Franchisor to seek preliminary or permanent injunctive relief, the Franchisor may do so without a bond.

23.7 No Waiver. No waiver, delay, forbearance or extension of any condition or covenant contained in this Agreement, failure to insist on strict compliance therewith, custom or practice of the parties at variance therewith, or failure to exercise a right or remedy by the Franchisor or the Franchisee shall be considered to imply or constitute a further waiver by the Franchisor or the Franchisee of the same or any other condition, covenant, right, or remedy.

23.8 Effective Date and Location of Contract. This Agreement shall not be effective until accepted by the Franchisor as evidenced by dating and signing by an officer of the Franchisor and the place of this Agreement shall be the State of Michigan.

23.9 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any

provisions of this Agreement and any present or future federal, state or local statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be modified to the extent necessary to make it valid or, if it cannot be so modified, then it shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

23.10 Governing Law/Consent to Jurisdiction. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the State of Michigan, and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the State of Michigan, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, unless expressly provided for otherwise herein, if a claim is asserted in any legal proceeding involving the Franchisee, its officers or directors and the Franchisor, its officers, directors or sales employees both parties agree that the exclusive venue for disputes between them shall be state or federal courts in the State of Michigan and each waive any objection either may have to the personal jurisdiction of or venue in the State of Michigan. The Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection the Franchisee may have to either the jurisdiction or venue in such court. In the event that any party files an action in any forum or jurisdiction in violation of the this Section 23.10 or Section 22, that party shall pay the costs and fees, including attorneys' fees of the other party in connection with any efforts to order the dispute to the proper forum or jurisdiction.

23.11 Notices. Any notices of default under this Agreement shall be delivered by registered or certified first class U.S. mail, personally or by courier to the location listed below in this Section 23.11. Any other notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to be given hereunder shall be in writing and may be given to the party for whom it is intended by personal delivery, email, facsimile transmission or delivering it to such party by mailing it by prepaid registered mail, in the case of the Franchisor to:

**In the case of Franchisor to:**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**  
29657 Orchard Lake Road  
Farmington Hills, MI 48334  
Attention: President/CEO  
Email: [allie@massagegreen.com](mailto:allie@massagegreen.com)

with a copy to (which shall not constitute notice):

May, Simpson & Strote, P.C.  
100 W. Long Lake Road, Suite 200  
Bloomfield Hills, Michigan 48304  
Attention: John A. Forrest, Esq.  
Email: [jforrest@msspc.com](mailto:jforrest@msspc.com)

**In the case of the Franchisee to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any such notice or other document delivered personally, by email or by facsimile transmission shall be deemed to have been received by and given to the addressee on the day of delivery. In the case of email notice, delivery shall not be deemed to have occurred if the sender receives any message indicating an error or other problem with delivery. In the case of a facsimile notice, delivery shall not be deemed to have occurred unless the sender receives notice of confirmation of delivery. Any such other notice or other document mailed as aforesaid, shall be deemed to have been received by and given to the addressee on the third (3<sup>rd</sup>) business day following the date of mailing. Any party may at any time give notice in writing to any other party of any change of address.

23.12 Joint and Several Liability. If Franchisee consists of more than one owner, member, principal or other person or entity, or a combination thereof, the agreements, obligations, promises and liabilities of Franchisee and each and every such person or entity to Franchisor are joint and several in their individual capacities.

23.13 Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

23.14 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Franchisor and shall be binding upon and inure to the benefit of Franchisee and its respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

23.15 Titles for Convenience. Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

23.16 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

23.17 Gender. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

23.18 Days. Unless otherwise specifically set forth herein, the term “days” shall refer to calendar days.

23.19 Franchisor’s Absolute Right to Withhold Approval or Consent. Whenever this Agreement requires the prior approval or consent of the Franchisor, Franchisee shall make a timely written request therefore and such approval must be obtained in writing. Except where this Agreement expressly obligates the Franchisor to reasonably approve or consent to (or not to unreasonably withhold its approval of or consent to) any action or request by Franchisee, the Franchisor has the absolute right for any reason to refuse any request by Franchisee or to withhold the Franchisor’s approval of or consent to any action by Franchisee. The Franchisor may also consider at its option and, in its sole discretion, other reasonable prior requests severally submitted in writing by Franchisee for the Franchisor’s waiver of any obligation imposed by this Agreement. The Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this franchise or by any neglect or delay in furnishing the same.

23.20 Designated Agent. Franchisee hereby designates [\_\_\_\_\_] to act in its behalf and execute all documents in all transactions with the Franchisor. All actions by such designee shall be binding upon Franchisee and shall be valid and binding on any partnerships, limited liability companies or corporations as if done by each and every partner, member, shareholder, officer or director. The Franchisor shall have no duty to deal with anyone other than the designee; however, any documents submitted to the Franchisor executed by any other officer or partner shall be valid and binding upon Franchisee. Franchisee shall promptly notify the Franchisor in writing of any change in its designee.

## 24 **ACKNOWLEDGMENT**

24.1 BEFORE SIGNING THIS AGREEMENT, THE FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF ADVISORS OF HIS OR HER CHOICE, INCLUDING ATTORNEYS, ACCOUNTANTS OR CONSULTANTS. THE FRANCHISEE ACKNOWLEDGES THAT:

(a) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON MANY FACTORS INCLUDING, WITHOUT LIMITATION, GENERAL AND LOCAL BUSINESS CONDITIONS, PUBLIC DEMAND, AND THE FRANCHISEE’S, MANAGER’S AND THE OPERATING PRINCIPAL’S ABILITIES AS INDEPENDENT BUSINESS PEOPLE AND THEIR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS AND TIME DEVOTED TO THE MANAGEMENT AND OPERATION OF THE FRANCHISE, AND

(b) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(c) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT IS BINDING ON THE FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP. SYSTEM. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

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

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**

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

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISEE**

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

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

OR (if Franchisee is an individual)

\_\_\_\_\_  
An Individual

\_\_\_\_\_  
An Individual

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

Be it remembered, that on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the subscriber, a Notary Public in and for said State, personally appeared \_\_\_\_\_ to me

personally known and known to be the same person whose name is signed to the foregoing instrument, and acknowledged the execution thereof for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year last aforesaid.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_)

Be it remembered, that on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the subscriber, a Notary Public in and for said State, personally appeared \_\_\_\_\_, president/general partner/managing member of \_\_\_\_\_, the corporation/partnership/other entity whose name is subscribed to and which executed the foregoing instrument, and for him or herself and as such officer and for and on behalf of said business entity, acknowledged the signing and execution of said instrument, and that the signing and execution of said instrument is his free and voluntary act and deed as such officer, and the free and voluntary act and deed of said business entity, for the uses and purposes in said instrument mentioned.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year last aforesaid.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_

Notary Public

**EXHIBIT A  
TO FRANCHISE AGREEMENT**

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT**

THIS ADDENDUM to the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ by and between Massage Green International Franchise Corp. (“Franchisor”) and the undersigned “Franchisee” (“Agreement”) is made as of the same date to add to and clarify certain terms and conditions of the Agreement. All initial capitalized references herein shall have the same meaning as set forth in the Agreement.

1. **Target Area:** The Target Area referred to in Section 1.1 of the Franchise Agreement shall be:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

2. **Initial Franchise Fee.** The Franchisee shall pay to the Franchisor an Initial Franchise Fee of \$45,000.00, due and payable on the date of the Agreement. Franchisee agrees that such fee constitutes the fair market value for the franchise.

3. **Approval of Franchised Location.** By execution hereof, the Franchisor approves the Target Area and the Franchisee acknowledges and warrants that the Franchisor’s approval of the Target Area or the Franchised Location and Territory does not constitute a guarantee, recommendation or endorsement of the Franchised Location and Territory and the success of the Franchised Store to be operated at the Franchised Location and within the Territory is dependent upon the Franchisee’s abilities as an independent business person and other factors beyond the Franchisor’s control.

4. **Limitation of Franchise Rights.** The rights granted to Franchisee are for the specified Franchised Location and cannot be transferred to any other location, except by Franchisor’s prior written approval, which shall be granted or denied at the sole discretion of the Franchisor. The Proprietary Marks are licensed only for the Franchised Location.

5. **Normal Business Hours.** Shall be from 9:00 a.m. to 9:00 p.m. for every day of the year, except for Thanksgiving and Christmas Day.



**MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.**

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

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

**FRANCHISEE**

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

Its (Title): \_\_\_\_\_

OR (if Franchisee is an individual)

\_\_\_\_\_  
Individual

**EXHIBIT B  
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the Franchise Agreement executed between \_\_\_\_\_ (“Franchisee”) and Massage Green<sup>®</sup> International Franchise Corp. (“Franchisor”) on \_\_\_\_\_, 20\_\_ (the “Agreement”) by the Franchisor, each of the undersigned hereby personally and unconditionally:

(a) Guarantees to the Franchisor, its Affiliates, the Franchisee's Local Advertising Cooperative and their successors and assigns, for the Term, including renewals thereof, 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, including but not limited to the terms of Section 20.1, Non-Competition During Term, Section 20.2, Post-Termination Covenant Not to Compete, Section 20.3, Confidentiality of Proprietary Information, and Section 20.4, Nondisclosure and Noncompetition.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Franchisor of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. Such liability shall not be contingent or conditioned upon pursuit by the Franchisor of any remedies against Franchisee or any other person; and

4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Franchisee or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the Term, including renewals thereof.

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

**WITNESS**

**GUARANTOR(S)**

\_\_\_\_\_

Dated:

\_\_\_\_\_

Dated:

\_\_\_\_\_

Dated:

\_\_\_\_\_

Dated:

**ACKNOWLEDGMENT**

Franchisee, and its shareholders, members and partners, as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel or other advisors in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

**ACCEPTED** on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.**

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

Its \_\_\_\_\_

**FRANCHISEE:**

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

Its \_\_\_\_\_

OR (if Franchisee is an individual)

\_\_\_\_\_  
an Individual

\_\_\_\_\_  
an Individual

**EXHIBIT C  
TO FRANCHISE AGREEMENT**

**LEGAL ENTITY FORM**

EACH OF THE UNDERSIGNED REPRESENT THAT EACH AND EVERY OWNER OF FRANCHISEE IS IDENTIFIED BELOW AND THAT THE INFORMATION PROVIDED BELOW IS CORRECT AND TRUE:

1. LEGAL NAME: \_\_\_\_\_

TYPE OF ENTITY (sole proprietorship, corporation, partnership, limited liability company):

STATE OF ORGANIZATION OF ENTITY: \_\_\_\_\_

d/b/a (if applicable): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

BUSINESS TELEPHONE: \_\_\_\_\_

FEDERAL EMPLOYER IDENTIFICATION NUMBER: \_\_\_\_\_

2. NAME, HOME ADDRESS/PHONE, TITLE, % OWNERSHIP

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_  
Title \_\_\_\_\_ % Ownership \_\_\_\_\_  
Social Security Number \_\_\_\_\_

3. ALL OWNERS MUST SIGN:

_____	Dated: _____
_____	Dated: _____
_____	Dated: _____
_____	Dated: _____

**EXHIBIT D  
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS)**

Name of DEPOSITOR: \_\_\_\_\_

DEPOSITOR Identification Number: \_\_\_\_\_

The undersigned depositor ("DEPOSITOR") hereby authorizes Massage Green International Franchise Corp. ("COMPANY") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit such account pursuant to COMPANY's instructions and to execute all other documents necessary to carry out the foregoing.

\_\_\_\_\_  
DEPOSITORY

\_\_\_\_\_  
Branch

\_\_\_\_\_  
Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

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

\_\_\_\_\_  
DEPOSITOR

\_\_\_\_\_  
DEPOSITORY

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

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

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

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

**EXHIBIT E  
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS,  
TELEPHONE LISTINGS, AND DOMAIN NAMES**

THIS ASSIGNMENT is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, in accordance with the terms of that certain Franchise Agreement (the “Franchise Agreement”) between \_\_\_\_\_ (“Franchisee”) and Massage Green® International Franchise Corp., a Michigan corporation (“Franchisor”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Massage Green Franchised Store located at \_\_\_\_\_ (the “Franchised Store”).

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “Telephone Numbers and Listings”) and (2) those certain Internet website addresses (“Domain Names”) used from time to time in connection with the operation of the Franchised Store. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “Telephone Company”) and/or Franchisee’s internet service provider (“ISP”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the Domain Names, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and Domain Names, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the Domain Names, and Franchisee appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest and is irrevocable, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the Domain Names to Franchisor. If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the Domain Names to Franchisor, Franchisor shall direct the Telephone Company and the ISP to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings, and the Domain



Names upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

**ASSIGNEE**

**ASSIGNOR**

**MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.**

**FRANCHISEE**

\_\_\_\_\_

\_\_\_\_\_

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

OR (if Franchisee is an individual)

\_\_\_\_\_  
an Individual

**ACCEPTED AND AGREED TO BY:**

\_\_\_\_\_  
(Telephone Company Authorized Representative)

\_\_\_\_\_  
(Name of Telephone Company)

\_\_\_\_\_  
(Internet Service Provider Authorized Representative)

\_\_\_\_\_  
(Name of Internet Service Provider)

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT B**

**MULTI-UNIT ADDENDUM TO FRANCHISE AGREEMENTS**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**  
**MULTI-UNIT ADDENDUM TO FRANCHISE AGREEMENTS**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between MESSAGE GREEN INTERNATIONAL FRANCHISE CORP., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee") and modifies the Franchise Agreements described in Section 1 below.

**1. Introduction.**

As of the date of this Addendum Franchisee and Franchisor are executing three Franchise Agreements (the "Franchise Agreements") for **Message Green**<sup>®</sup> Franchised Stores ("Stores") to be operated in the following area(s) \_\_\_\_\_ (the "Development Area"). The purpose of this Addendum is to set the initial franchise fees due under the Franchise Agreements and to establish the schedule for the opening dates of the Stores required to be operated under the Franchise Agreements. The initial franchise fees and Store opening schedule set forth in this Addendum will supersede and control over any conflicting initial franchise fees and deadlines for opening Stores in the Franchise Agreements. All other provisions of the Franchise Agreements will remain in full force and effect.

**2. Initial Franchise Fees.**

Franchisee must pay Franchisor initial franchise fees in the total amount of \$90,000 under the Franchise Agreements. These initial franchise fees must be paid at the time of signing of this Addendum and are non-refundable.

**3. Store Opening Schedule.**

Franchisee must open the Stores under the Franchise Agreements no later than the following dates; provided that, all three Stores must be open no later than \_\_\_\_\_ months from the date of this Addendum ("Store Opening Schedule"):

Store Number	Date that Store Must be Open
First Store	___ months from the date of this Addendum
Second Store	___ months after the opening of the 1 <sup>st</sup> Store
Third Store	___ months after the opening of the 2 <sup>nd</sup> Store

Except for the required opening dates for the Stores as set forth above, all site selection, construction and other opening requirements and procedures will be governed by the terms of the Franchise Agreements and the applicable standards and specifications of Franchisor in place at that time.

**4. Failure to Satisfy Store Opening Schedule.**

If Franchisee fails to open any of the Stores in the Store Opening Schedule or if Franchisee gives written notice to Franchisor that it is ceasing development of further Stores ("No Further Opening Notice"): (a) this Addendum will terminate automatically; (b) the Franchise Agreements for any of the Stores Franchisee has not opened by the applicable Store opening date (or at the time Franchisee delivers the No Further Opening Notice) may, in Franchisor's discretion, be terminated by notice under and subject to the terms of those Franchise

Agreements; (c) Franchisor will have no obligation to refund any initial franchise fees Franchisee has paid with respect to any terminated Franchise Agreements; and (d) the Franchise Agreements for the Stores Franchisee has opened and any other Franchise Agreements that Franchisor has not terminated will continue in effect in accordance with their terms. If Franchisee ceases operating or transfers any Store developed under the terms of this Addendum without Franchisor's prior written consent, that Store will no longer count as a Store opened for purposes of the Store Opening Schedule.

Franchisee acknowledges that Franchisor has the right to vary its standards and specifications to accommodate circumstances of individual franchisees. Franchisee agrees that, in determining whether Franchisee is in compliance with the Franchise Agreements as of a required Store opening date, Franchisor has no duty to waive any defaults or to modify any requirements based solely on the fact that Franchisor may have done so for another franchisee. Also, if Franchisor allows Franchisee to proceed to open Stores despite the existence of a default or noncompliance with any of the Franchise Agreements, Franchisor's decision will not constitute a waiver of the default or noncompliance.

**5. No Exclusivity.**

This Addendum does not grant Franchisee any exclusive rights in the Development Area. Franchisor may operate or authorize any other person to operate Stores in the Development Area, subject only to any limited exclusive rights of Franchisee in the Protected Area granted under each Franchise Agreement once the Franchise Location for the Store to be operated under that Franchise Agreement has been identified and approved. Franchisee acknowledges that Franchisor may authorize other franchisees to develop Stores in the Development Area on a first-come, first-served basis and that this could limit the locations available to Franchisee in the Development Area

**6. Assignment.**

Franchisee may only assign its rights under this Addendum in connection with the assignment of all of the Franchise Agreements. Any assignment will be subject to all applicable provision of the Franchise Agreements.

**7. General Provisions.**

(a) Entire Agreement; Modifications. This Addendum constitutes the entire agreement between Franchisor and Franchisee concerning the initial franchise fees and schedule for opening Stores under the Franchise Agreements and supersedes all prior agreements (other than the Franchise Agreements) and all negotiations, correspondence, and representations concerning this subject matter. This Addendum may only be amended in a writing signed by the authorized officers of Franchisor and Franchisee.

(b) Construction. Any terms used in this Addendum that are defined in the Franchise Agreements will have the same meaning in this Addendum unless otherwise defined in this Addendum or the context clearly indicates otherwise.

(c) Waiver. Any delay by Franchisor to insist on strict compliance with any obligation or condition of this Addendum will be applicable only in the specific instance and will

not constitute a waiver of Franchisor's right to demand strict compliance with the obligation or condition in the future.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

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

Its: \_\_\_\_\_

Acknowledged before me in \_\_\_\_\_ County, Michigan, on \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_, the \_\_\_\_\_ of the MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP., a Michigan corporation.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, MI  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

FRANCHISEE

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

Its: \_\_\_\_\_

Acknowledged before me in \_\_\_\_\_ County, \_\_\_\_\_, on \_\_\_\_\_,  
20\_\_\_\_, by \_\_\_\_\_, the \_\_\_\_\_ of \_\_\_\_\_, a  
\_\_\_\_\_.

Notary Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Notary Public, \_\_\_\_\_, County, MI  
Commission Expires: \_\_\_\_\_  
Acting in the County of: \_\_\_\_\_

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT C**

**AREA DEVELOPMENT AGREEMENT**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**  
**AREA DEVELOPMENT AGREEMENT**

**COUNTY(IES) OF:**

**WITHIN THE STATE(S) OF:**

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**EXHIBITS:**

Exhibit A: Massage Green International Franchise Corp Area Development Agreement  
Territory

Exhibit B: Massage Green International Franchise Corp. Area Development Agreement  
Franchise Store Development Schedule

Exhibit C: Franchise Agreement

Exhibit D: Guaranty And Assumption Of Area Developer’s Obligation

Exhibit E: Legal Entity Form



**MESSAGE GREEN® INTERNATIONAL FRANCHISE CORP.**

**AREA DEVELOPMENT AGREEMENT**

THIS AGREEMENT is to be effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_.  
between **MESSAGE GREEN® INTERNATIONAL FRANCHISE CORP.**, a Michigan  
corporation ("we", "us," "our," the "Company"), and \_\_\_\_\_  
\_\_\_\_\_ whose address is \_\_\_\_\_  
\_\_\_\_\_ ("Developer," "you" or "your").

**RECITALS**

**WHEREAS**, Company, with the help of its parent corporation, Massage Green Holding Inc. ("MGH"), and its affiliate corporation, Massage Green Distributing, Inc. ("MGD"), over a period of time and as the result of the expenditure of time, expertise, effort and money: (i) has developed and owns a system relating to the establishment, development and operation of a retail facility (a "Franchised Store") providing on premises massage therapy, on premises lifestyle education classes, and environmentally conscious health and beauty take out items and products (the products and services authorized and directed for sale at a Franchised Store are referred to as the "Massage Green Products"), all prepared and provided in accordance with specified systems and procedures (the "System"); and (ii) has developed certain presentation, packaging and marketing standards and techniques for all items and merchandise bearing the Proprietary Marks (as defined below) which may be introduced into the System;

**WHEREAS**, the characteristics of the System include: (i) the Proprietary Marks (as defined below); (ii) an approved exterior and interior design, layout and color scheme; (iii) approved signage, decorations, furnishings and materials; (iv) methods, procedures and formulations for certain Massage Green Products; (v) the confidential Operations Manual, defined in Section 9.7 below; (vi) the Massage Green Products; (vii) preparation and service procedures and techniques; (viii) operating procedures for sanitation and maintenance; and (ix) methods and techniques for inventory and cost controls, record keeping and reporting, personnel management, purchasing, sales promotion and advertising, all of which may be changed, improved and further developed by Company from time to time at its sole discretion;

**WHEREAS**, Company and/or MGH own the rights, title and interest, together with all the goodwill connected thereto in and to the trademarks Massage Green® and other trademarks and trade names, service marks and trademarks which are now designated and may hereinafter be designated by the Company in writing, and at its sole discretion, as part of the System (the "Proprietary Marks"), and has licensed the Company to use and to sublicense the Company's franchisees to use the Proprietary Marks in the operation of Franchised Stores;

**WHEREAS**, Company and MGH may continue to develop, use and control such Proprietary Marks for the benefit and use of Company and Company's franchisees in order to identify for the public the source of products and services marketed thereunder and to represent the System's high standards of quality regarding Massage Green Products, operations, appearance and service;

**WHEREAS**, Company grants franchises to own and operate Franchised Stores offering on premises massage therapy, on premises lifestyle education classes, and environmentally conscious health and beauty take out items and products authorized and approved by Company, at its sole discretion, and utilizing the System and Proprietary Marks;

**WHEREAS**, Developer desires to represent the Company as an independent contractor to develop and perform certain services for the Company's Franchised Stores in the geographical areas set forth below; and

**WHEREAS**, the Company desires to utilize the services of Developer pursuant to the terms and conditions contained in this Agreement.

**NOW, THEREFORE**, in consideration of the terms and conditions contained in this Agreement and in consideration of the payments received, the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement agree as follows:

## **1 DEFINITIONS**

For the purposes of this Agreement the terms listed below shall have the following meanings:

1.1 **"Anti-Terrorism Laws"** means Executive Order 13224 issued by the President of the United States of America, the USA Patriot Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

1.2 **"Development Schedule"** means the number of Franchised Stores you are required to develop, open and maintain in operation in the Territory based on the time periods and schedule described on Exhibit B.

1.3 **"Franchise Agreement"** means the standard Massage Green International Franchise Corp. Franchise Agreement and the standard amendments, as it may be amended and revised from time to time, and each Franchise Agreement executed by a franchisee and us.

1.4 **"Franchise Fee"** means the initial payment made by a franchisee upon execution of the Franchise Agreement.

1.5 **"Franchisee(s)"** means the owner(s) of a Massage Green franchise.

1.6 **"Franchise"** means any single Franchised Store owned or operated by a Massage Green<sup>®</sup> International Franchise Corp. Franchisee under a Franchise Agreement.

1.7 **"Gross Sales"** means and includes the gross revenue from all sales of Massage Green Products and all other products and services sold or performed by or for Franchisee or the Franchised Store in, at, from, or away from the Franchised Store, or through or by means of the

business conducted pursuant to this Agreement, whether for cash or credit, including any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent such claim is paid by the insurer, but excluding: (a) all sales or service taxes collected from customers and paid or payable to the appropriate taxing authority; (b) all customer refunds, valid discounts and coupons, and credits made by the Franchised Store (such exclusions shall not include any reductions for credit card user fees, returned checks or reserves for bad debts or doubtful accounts). Gross Sales shall also include any rebates or payments from vendors, the fair market value of any services or products received by the Franchisee in barter or exchange for its services and products and all insurance proceeds received by Franchisee for loss of business due to a casualty to similar event at the Franchised Location.

1.8 **“Royalty Fees”** means a periodic fee generated from or through a Franchisee’s Franchised Store paid to and actually received by us, and as further defined in the Franchise Agreement.

1.9 **"System"** means the system relating to the establishment, development and operation of a retail facility providing on premises massage therapy, on premises lifestyle education classes, and environmentally conscious health and beauty take out items and products, all prepared in accordance with specified processes and procedures.

1.10 **"Territory"** means the geographic area comprised of the counties described in Exhibit A attached to this Agreement.

1.11 **"You"** means the legal entity sold the area development agreement rights and any individual who is a signatory to or who personally guarantees this Agreement (also referred to in this Agreement as “Developer”)

1.12 All other terms not specifically defined in this Section or elsewhere in this Agreement shall have the definitions as set forth in the then-current Massage Green Franchise Agreement.

## **2 GRANTS OF FRANCHISE AND LICENSE**

2.1 We hereby grant to you, and you hereby accept, the right to be an area developer for the Territory. Further, we hereby grant to you, and you hereby accept the right, license and privilege of using the Proprietary Marks solely and only upon and in connection with activities authorized under this Agreement and within the Territory. You agree not to make, authorize or use, directly or indirectly, the System or Proprietary Marks for any other purpose or in any other way than as set forth in this Agreement. You acknowledge that we may grant other licenses for the use of the Proprietary Marks or utilize the Proprietary Marks in any manner whatsoever.

## **3 TERRITORY AND TERM**

3.1. Territory. Your rights, licenses and privileges under this Agreement are exclusive to the Territory. While this Agreement is in effect, we will not license anyone else as a

developer for the Territory, although we reserve certain rights set forth in this Agreement, including, without limitation, those set forth below.

3.2. The Developer acknowledges that the rights granted hereunder are nonexclusive and that the Company and its affiliates retain the exclusive right, among others:

(a) To use, and to license others to use, the Proprietary Marks and System for the operation of Franchised Stores, company-owned stores or licensed stores at any location, including in the Territory (subject to Developer's rights under this Agreement). Except as otherwise specifically provided in this Agreement, this Agreement shall not restrict the Company or its affiliates, or grant any rights to the Developer, with respect to the pursuit of any business concept other than Franchised Stores, or with respect to the distribution of Franchised Massage Green Products or the ingredients or raw materials for any such products, to wholesalers or other distribution outlets (other than Franchised Stores), or by internet commerce (e commerce), telephone order, mail order or otherwise, whether inside or outside the Territory;

(b) To use the Proprietary Marks and System in connection with the provision of other services and products or in alternative channels of distribution, whether or not nationwide, without regard to location and including within the Territory;

(c) To use and license the use of other proprietary marks or methods which are not the same as or confusingly similar to the Proprietary Marks at any location and including within the Territory, which may be the same as, similar to or different from the Franchised Stores;

(d) To use any web sites utilizing a domain name incorporating one or more of the words "Massage Green", "Massage Green International", or any variations thereof and Developer further agrees that it shall not establish a web site on the Internet using any domain name containing the words "MassageGreen.com" "MassageGreen.ca", "MassageGreen.net", "MassageGreen.org", "MassageGreen.edu", "MassageGreen.biz" or any "dot" suffix or any variation thereof, including, without limitation, "Massage Green" and any "dot" suffix. The Company retains the sole right to advertise on the Internet and create a web site including the name Massage Green or any variation thereof. The Developer acknowledges that Company is the owner of all right, title and interest in and to such domain names and any other domain names as Company shall designate in its sole discretion in the Operations Manual. Company retains the right to pre approve Developer's use of linking and framing between the Developer's web pages and all other web sites. The Developer shall, within five (5) days, dismantle any frames and links between the Developer's web pages and any other web sites, if and as requested by Company.

3.3. **Term.** The term of this Agreement shall expire ten (10) years after the date of this Agreement unless sooner terminated in accordance with the provisions of this Agreement.

#### 4 PURCHASE PRICE FOR TERRITORY

You shall pay us the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_) via cashier's check or wire transfer of immediately available funds to an account designated by us no later than at the time of the execution of this Agreement, unless otherwise agreed to in writing by you and us, in exchange for the rights, privileges and potential compensation set forth in this Agreement (the "Purchase Price"). The Purchase Price is non-refundable and represents the agreed upon consideration for the purchase of the rights associated with the Territory.

#### 5 PAYMENTS TO YOU

5.1 **Payments.** We agree to pay you the following amounts:

(a) We will pay you fifty percent (50%) of the Franchise Fee paid to us by Franchisees that open a Franchise in the Territory under a Franchise Agreement entered into after Developer completes the Initial Training Program and commences full performance of the services set forth in Section 10. This fee is payable when the Franchisee's Franchised Store opens in full compliance with the Franchise Agreement and our standards. If a Franchisee purchases multiple Franchises under a Multi-Unit Addendum to Franchise Agreements, you will be paid a proportionate amount of the total Franchise Fees paid by the Franchisee as each Franchise opens. For example, if a Franchisee purchases three Franchises under a Multi-Unit Addendum and pays a total of \$90,000 in Franchise Fees, you will receive \$15,000 as each of the three Franchises is opened (50% of one-third of the \$90,000). If a Franchise is sold and the Franchisee fails to open a Franchised Store within the time permitted, you will not be entitled to receive any portion of the Franchise Fee for that Franchise.

(b) We will pay you forty percent (40%) of all Royalty Fees, exclusive of gross receipts taxes or any sales taxes and returns, actually received by us from Franchisees (other than Exempt Franchises discussed below) located in the Territory.

5.2 **Application of Payments.** Company's payments to Developer shall be based on amounts actually collected from Franchisees, not on payments accrued, due or owing. In the event of termination of a Franchise Agreement for a Franchise within the Territory under circumstances entitling Franchisee to the return of all or part of the initial Franchise Fee or Royalty Fee (or in the event that Company becomes legally obligated or decides in its sole discretion to return part or all of the Franchise Fee or Royalty Fees), Company may deduct, from the amount to be paid to the Developer, the portion of the amount to be returned to Franchisee in the same proportion as Developer shared in the Franchise Fee or Royalty Fees. The Company shall apply any payments received from a Franchisee to any past due indebtedness of that Franchisee for Royalty Fees, advertising contributions, purchases from Company or its affiliates, interest or any other indebtedness of that Franchisee to Company or its affiliates. To the extent that such payments are applied to a Franchisee's overdue Royalty Fee payment, Developer shall be entitled to its pro rata share of such payments remaining after application to the above indebtedness, less its pro rata share of the costs of collection paid to third parties.

5.3 **Withholding of Amounts.** You agree that we may deduct the following amounts from Section 5.1 payments owing to you:

(a) any sums we incur for expenditures directly related to Franchises in the Territory for: (i) legal fees that are extraordinary (i.e. not in the ordinary course of business); (ii) compliance audits or other related expenses; (iii) damages, judgments or penalties assessed against us or our affiliates for delinquent rent and related expenses attributable to Franchises in the Territory; or (iv) any other expenses or costs that we or our affiliates incur with regard to failed, closed, terminated or abandoned Franchises in the Territory.

(b) any sums due pursuant to your field meeting non-attendance;

(c) any sums due pursuant to unperformed or underperformed services for Franchisees;

(d) any sums due pursuant to your training session non-attendance;

(e) your portion of the payment for the services of mystery shoppers as set forth in Section 10.29 of this Agreement;

(f) any penalties for failure to be opened during normal business hours as set forth in Section 13.4 of this Agreement; and

(g) any premiums and administrative fees we must pay pursuant to Section 10.21 of this Agreement.

5.4 If Developer has failed to conduct the periodic inspections and reviews described in Sections 10.9 and 10.14 and file a written report or has failed to perform in any material respect the other services described in Section 10 to be provided to Franchisees located in the Territory during any applicable month with respect to one or more Franchisees located in the Territory, Developer shall not be entitled to receive the portion of Royalty Fees set forth in Section 5.1(b) with respect to such Franchisees for the period during which reports or services were not provided.

5.5 Unless specifically otherwise agreed to in writing by the Company, Developer shall not be entitled to share in and receive the portion of Royalty Fees set forth in Section 5.1(b) paid to Company by any Franchise in the Territory that was: (i) opened, or operated under a Franchise Agreement entered into before Developer completes the Initial Training Program and commences full performance of the services set forth in Section 10; (ii) constructed by Company prior to the Effective Date of this Agreement and then transferred to a Franchisee ((i), and (ii), collectively referred to "Exempt Franchises"). Exempt Franchises shall not count towards satisfaction of the Development Schedule and you will not be required to provide services to Exempt Franchises unless otherwise agreed between the parties.

5.6 We agree, on or before the twenty fifth (25th) day of each month, to pay you and give you a detailed full report of Gross Sales and Royalty Fees for the preceding month in the

Territory, and of the reported Gross Sales and Royalty Fees for the preceding month of each Franchise in the Territory, specifying separately the percentage rates and amounts of Royalty and Franchise Fees paid by each Franchise in the Territory.

## **6 STANDARDS FOR SALES OF FRANCHISES**

6.1 You must not begin to offer or sell Massage Green<sup>®</sup> franchises in the Territory until you have opened and are operating a Franchised Store in your Territory in accordance with Section 10.13, unless otherwise approved by writing by us in our sole discretion.

6.2 Subject to Section 6.1 and any other applicable terms of this Agreement, you are authorized and you agree to solicit for sale Massage Green<sup>®</sup> franchises to purchasers, pursuant to terms and provisions of our franchise disclosure document(s) and standard Franchise Agreement and applicable law in the Territory.

6.3 You shall adhere to our fees for the Franchises you solicit for sale in conformance with the then current fees established by us, and all such fees are due and payable to us

6.4 You shall utilize the standard Franchise Agreement as is then included in the franchise disclosure document(s) approved by us in solicitations made by you that is current at the time of such solicitations. We must sign each Franchise Agreement before it will become effective.

6.5 In consideration of your receipt of payments as outlined in this Agreement, you shall be responsible for assisting Company in opening, developing and servicing the Franchises in the Territory as and when necessary.

6.6 You understand and agree that any Franchise to be sold in your Territory is subject to prior written approval by any required governmental registration authority and laws, if any. You further agree that any Franchise to be sold in your Territory is subject to our prior written approval as to the qualifications of the proposed Franchisee, the proposed Franchised Store location, the proposed Target Area, and whether we believe, in our sole and absolute discretion, that the proposed Franchisee can perform all contractual obligations required pursuant to the Franchise Agreement. Although you assist us in soliciting and recruiting Franchisees, we alone are authorized to consummate franchise sales and you will do nothing inconsistent with the foregoing. We must give final approval to all Target Areas and Franchised Locations within the Territory, which will be made in our sole and absolute discretion. Our approval will not be a warranty of or indication of a Franchisee's ability to succeed at that specific location and you are required to advise Franchisees and prospective Franchisees in the Territory of this fact. We also have the right, which we may exercise in our sole and absolute discretion, to enter into or modify agreements with Franchisees you have solicited or recruited, including, but not limited to, agreements or modification of agreements that involve authorizing a Franchisee to cease development of a Franchise, to obtain a refund of fees paid or to develop a Franchise outside of your Territory.

6.7 You shall be responsible for delivering to each prospective franchisee in the Territory the complete, then-current franchise disclosure document prepared by us and any other items required by local, state or federal law. You shall not make any representations to any existing or prospective franchisee, landlord, vendor, distributor or supplier, or any representative or agent thereof or any other person, in connection with our business, our developers, or our Franchisees about the Franchise, us, or otherwise, which are not specifically approved by us in writing prior to being made or which are otherwise misleading, incomplete, fraudulent or untrue, or which are contradicted by the written material, including the franchise disclosure document and Franchise Agreement, required by us to be furnished to each prospective franchisee. Prior to making any of the foregoing written or oral representations, you shall submit the written representations and/or the substance of any oral statements to us in writing and examples of all forms of written representations. We shall then have ten (10) business days to approve or disapprove such proposed representations and shall notify you in writing of our decision. If we do not take any action within the ten (10) business day period, the submission will be deemed disapproved. You shall cause all sales solicitation efforts made by you or under your direction to be courteous, dignified, and in keeping with a professional, ethical and responsible company. You shall not violate any federal, state or local laws in connection with the sale of franchises, and you shall specifically abide by all laws, rules and regulations by appropriate regulatory bodies regarding franchising and securities. In jurisdictions that require disclosure of principals, you shall be responsible for providing such information to us in the form requested by us. **YOU AGREE THAT NO SALES OR EARNINGS CLAIMS OR ESTIMATES SHALL BE GIVEN BY YOU UNDER ANY CIRCUMSTANCES TO PROSPECTIVE FRANCHISEES.** Violation of this section shall be considered a material default under this Agreement and shall, among other remedies we have, permit us to immediately terminate this Agreement and seek and obtain indemnification from you for any such claim by Franchisees in the Territory or any state or federal agency. You understand and acknowledge that franchise laws require the updating of franchise disclosure documents and amendment and renewal of both the documents and state registrations. Accordingly, there may be periods when franchise sales and solicitation activity must be suspended. You will comply with our directions regarding this and you recognize we have no liability to you for any such delays or any franchise sales that may be lost due to our efforts to comply with applicable law.

6.8 We reserve the right to take the lead in recruiting and selling a Franchise to a prospective franchisee of a Franchise in the Territory, whether or not that prospective franchisee was introduced to us by Developer. If we decide to exercise that right with respect to a particular prospective franchisee, you will only engage in further sales activities with that prospective franchisee in the manner specified by us. If a Franchise is sold to a prospective franchisee under those circumstances, you will provide those Franchises with all services specified under this Agreement for Franchises recruited by you and you will be entitled to share in fees received from those Franchises under Section 5.1 of this Agreement, except as provided in Section 6.9 below.

6.9 During any time period during which you are not in compliance with the Development Schedule, we will have the right, but not the obligation, to recruit and sell Franchises for operation in the Territory. If we recruit and sell Franchises in the Territory under this right, we will be responsible for all costs incurred in recruiting and selling those Franchises and we will retain all initial franchise fees received from those Franchises and Developer will not



share in those fees under Section 5.1(a) of this Agreement. You will provide those Franchises with the same services specified under this Agreement for Franchises recruited by you and you will be entitled to share in fees received from those Franchises under Section 5.1(b) of this Agreement. Our rights under this Section are in addition to any other rights of the Company arising from a default by Developer under the Development Schedule and failure by Developer to comply with the Development Schedule may be considered a default under this Agreement.

6.10 After you have fully complied with the Development Schedule, we will have the right, but not the obligation, to recruit and sell additional Franchises for operation in the Territory. If we recruit and sell Franchises in the Territory under this right, you will provide those Franchises with all services specified under this Agreement for Franchises recruited by you and you will be entitled to share in fees received from those Franchises under Section 5.1 of this Agreement.

**7 DEVELOPMENT CRITERIA; DEVELOPMENT SCHEDULE;  
AGGREGATE FRANCHISED STORE VOLUME**

7.1 **Development Criteria.** The Territory contains an estimated population of \_\_\_\_\_ (\_\_\_\_\_) (the "Base Population") and the Territory will initially contain \_\_\_\_\_ (\_\_\_\_\_) developable Franchises ("Total Scheduled Franchises"). On each anniversary of this Agreement (including any renewal thereof), the parties to this Agreement will determine a reasonable estimate of the then-current population of the Territory, and the total cumulative number of Franchises to be developed (Total Scheduled Franchises) may, in our sole and absolute discretion, be adjusted accordingly at the rate of one (1) Franchise per fifty thousand (50,000) person increase of population over the Base Population of the Territory. We shall determine the years during which such additional Franchises are required to be opened and the Development Schedule will be adjusted accordingly.

7.2 **Development Schedule.** You must develop a sufficient number of Franchises (either through your own Franchised Stores or sales of Franchises) to comply with the Development Schedule (see Exhibit B). For purposes of the Development Schedule, a Franchise will only be considered open and operating if the Franchised Store is open to the public and is operating in compliance with its Franchise Agreement, including the Minimum Sales Requirement and all operational policies and procedures.

If, at any time, you fail to have the required number of Franchises open and operating in accordance with the Development Schedule, we shall have the right to collect or deduct monthly from payments otherwise due you under this Agreement, an amount equal to the product of the number of Franchises you have failed to have open and operating in accordance with the Development Schedule (the "Shortfall Units") times One Thousand Five Hundred Dollars (\$1,500.00). We will cease to take such deduction for any Shortfall Unit the month that a Franchise that was a Shortfall Unit opens and commences operations. In the event that Shortfall Units exist, the opening of a Franchise shall be deemed to apply to the oldest then-existing Shortfall Unit. If at any time you fail to timely pay a Shortfall Unit payment or, if at any time you have more than two Shortfall Units, the Company may terminate this Agreement under Section 14 of this Agreement.

## **8 PROTECTION OF THE PROPRIETARY MARKS**

8.1 Nothing contained in this Agreement shall be construed as an assignment or grant to you of any right, title or interest in or to the Proprietary Marks, it being understood that all rights relating thereto are reserved by us, except for the license hereunder to you of the right to use the Proprietary Marks only as specifically and expressly provided in this Agreement. You agree at all times to faithfully, honestly and diligently perform your obligations hereunder, and to continuously exert your best efforts to carry out your obligations hereunder to promote and enhance the business of the Company and the goodwill of the Proprietary Marks, and not engage in any other business or other activity which conflicts, or may conflict, with your obligations under this Agreement. You agree to utilize the Proprietary Marks and System to operate the business hereunder in accordance with the methods and systems developed and prescribed from time to time by the Company, in its sole discretion, all of which are a part of the System. The Franchised Stores you operate or develop shall offer all products and services as the Company shall designate or require, which shall include, without limitation, retail services consisting of the massage therapy and health products, decor and trade dress prescribed by Company at its sole discretion. You and the Franchisees shall implement any additions or changes to the System and the Massage Green Products offered by your Franchised Store as may be required by the Company at its sole discretion.

8.2 You agree that your activities pursuant to this Agreement shall be of high standards and shall be of such style and quality as to be adequate and suited to the protection and enhancement of the Proprietary Marks and the goodwill pertaining thereto. To this end, you shall permit us at any time, and from time to time, to review and monitor your activities, and you shall furnish to us such information as to the nature, character and quality of your activities as we may reasonably request.

8.3 You agree that you will place on all items using the Proprietary Marks any notice of ownership of the trademark or the service mark or of registration as we direct and, in all events, will place appropriate statutory notices, including those of registration or application for registration on any use of the Proprietary Marks made by you as a trademark or service mark. Any use of the Proprietary Marks other than for activities authorized under this Agreement or in a manner previously authorized by us shall be subject to our prior written approval. Our approval shall not constitute a waiver of our rights or your duties under any provision of this Agreement.

8.4 You agree to assist and cooperate fully and in good faith with us for the purpose of securing and preserving our rights, or the rights of any licensee of ours, in and to the Proprietary Marks. You shall notify us in writing of any infringements to the Proprietary Marks or imitations by others of the Proprietary Marks or the use of any other name, logo or trademark that is the same as or similar to those covered by this Agreement which may come to your attention, and we shall have the sole right to determine whether any action shall be taken on account of any such infringements or imitations. We may commence or prosecute any claims or suits in our own name or join you as a party thereto. You shall not institute any suit or take any action on account of any infringements or imitations.

8.5 You acknowledge that Company and/or MGH is the owner of all right, title and interest, together with all the goodwill of the Proprietary Marks. You further acknowledge that the Proprietary Marks designate the origin or sponsorship of the Massage Green Products, and other of Company's products and services, and that Company desires to protect the goodwill of its Proprietary Marks and to preserve and enhance its rights and the value of the Proprietary Marks.

8.6 You further acknowledge that it is of utmost importance that the goodwill, stature, and image of quality associated with the Proprietary Marks be maintained and enhanced by you. You will make no use of the Proprietary Marks without the prior written approval of Company, this Agreement itself not constituting such approval. Each separate use of the Proprietary Marks, even if it is in the same format of a prior use in a different media, requires the prior written approval of the Company. To maintain and enhance the goodwill and image of quality associated by the public with the Proprietary Marks, you will conduct your business in accordance with this Agreement and the Operations Manual.

8.7 You must not use the Internet, or any social networks (including but not limited to facebook, Twitter, Pinterest, and Instagram), wikis, podcasts, online forums, content sharing communities, blogging, microblogging or other social media or similar methods with potential local, regional, national or worldwide scope in connection with your business, except with the written consent of the Company and then only in accordance with any policies and procedures specified by the Company from time to time. The Company may, in its discretion, maintain an Internet site and/or social media accounts for the Massage Green franchise system and allow you to participate in those Internet sites or accounts or any business generated by those Internet sites or accounts under guidelines specified by the Company.

8.8 You further acknowledge that your right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of business by you pursuant to and in compliance with this Agreement and all applicable standards, specifications, and operating procedures prescribed by Company in the Operations Manual and elsewhere from time to time at its sole discretion during the term of this Agreement.

8.9 You acknowledge and agree that Company and/or MGH is the sole and exclusive owner of the Proprietary Marks and that you will never, either before or after termination or expiration of this Agreement, dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Proprietary Marks or Company and/or MGH's ownership of the Proprietary Marks, nor counsel, procure, or assist anyone else to do the same, nor will you take any action that is inconsistent with Company and/or MGH's ownership of the Proprietary Marks, nor will you represent that you have any right, title, or interest in the Proprietary Marks other than those expressly granted by this Agreement.

8.10 Upon Company's request, you will cooperate fully, both before and after termination or expiration of this Agreement and, at Company's expense, in confirming, perfecting, preserving, and enforcing Company and/or MGH's rights in the Proprietary Marks, including but not limited to, executing and delivering to Company such documents as Company

requests for any such purpose, including but not limited to, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Massage Green Products and other products and services. You hereby irrevocably appoint Company as your attorney-in-fact for the purpose of executing such documents.

8.11 You will use the Proprietary Marks only in lettering, logos, print styles, forms, and formats, including but not limited to, advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, interior décor, and promotional items such as clothing, pens, mugs, etc., which have been approved in advance and in writing by Company in accordance with this Agreement, and promptly follow instructions regarding the Proprietary Marks as provided in the Operations Manual and otherwise given by Company from time to time and at Company's sole discretion. You may not create or use any web site or page advertising depicting your business, advertising for the sale of Massage Green Products or Franchises, or using any of the Proprietary Marks without the prior written consent of the Company, which such consent or rejection shall be at the sole discretion of the Company.

8.12 You agree to safeguard and maintain the reputation and prestige of the Proprietary Marks and to not disparage or do anything that would tarnish the image of or adversely impact the value, reputation or goodwill associated with the Proprietary Marks or the Company. You will never attempt to dilute, directly or indirectly, the value of the goodwill attached to the Proprietary Marks, nor to counsel, procure, or assist anyone else to do the same.

8.13 Company may decide, in its sole and absolute discretion, to apply to register or to register any trademarks with respect to the Massage Green System or Products and any other products and services. Failure of Company to obtain or maintain in effect any such application or registration is not a breach of this Agreement. You will not, before or after termination or expiration of the Agreement, register or apply to register any of the Proprietary Marks, or any trademark or logo similar thereto, anywhere in the world.

8.14 You shall mark the Proprietary Marks with an appropriately designated superscript "®" unless and until advised by Company to use a different notice.

8.15 If, in Company's reasonable determination, the use of a Proprietary Mark in connection with the Massage Green System or Products and other products and services will infringe or potentially infringe upon the rights of any third party or weakens or impairs Company's rights in the Proprietary Marks, then upon notice from Company, you will immediately terminate or modify such use in accordance with Company's instructions, and you will have no rights of damages, offset, or right to terminate this Agreement as a result thereof.

8.16 You will not use any materials that may be construed as false or misleading.

8.17 You will ensure that all advertising, labeling, packaging and other materials associated with the Massage Green System or Products and other products and services fully conform to all applicable federal, state and local laws, regulations and ordinances.

8.18 You will conduct your business operations in accordance with all applicable federal, state and local laws, regulations and ordinances.

8.19 You shall not use any Proprietary Mark or portion of any Proprietary Mark as part of a corporate, assumed or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. You shall obtain such fictitious or assumed name registrations as may be required by Company or under applicable law.

8.20 In order to preserve the validity and integrity of the Proprietary Marks licensed herein and to assure that Franchisee is properly employing the same in the operation of its business, Company or its agents shall have the right of entry and inspection of your premises and operating procedures during business hours, with or without your prior notice to or consent. Company shall have the right to observe the manner in which you are rendering services and conducting its operations, to confer with your employees, customers, and prospects.

8.21 If it becomes advisable at any time, in our sole discretion, for us to modify or discontinue use of any Proprietary Mark, and/or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, you shall comply with Company's directions as soon as practicable after written notice to you and you shall have no rights of damages, offset or right to terminate this Agreement. Company shall have no liability or obligation whatsoever to you arising from any such modification or discontinuance of any Proprietary Mark, except that Company shall reimburse you for the actual, documented out of pocket costs incurred by you to change or modify your identifying signage.

8.22 Any unauthorized use of the Proprietary Marks by you constitutes a material breach of this Agreement and an infringement of the rights of Company and/or MGH in and to the Proprietary Marks.

8.23 You acknowledge that all usage of the Proprietary Marks by you and any goodwill established by your use of the Proprietary Marks shall inure to the exclusive benefit of Company and MGH, and that this Agreement does not confer any goodwill or other interests in the Proprietary Marks upon expiration or termination.

8.24 In the event you acquire, as a result of the exercise of any rights provided under this Agreement, any rights in the Proprietary Marks, you agree to assign and hereby assign and transfer all such rights including all goodwill associated therewith, exclusively to Company and/or MGH.

8.25 You shall promptly notify Company of any actual or threatened claim, demand, or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Proprietary Marks or any colorable imitation thereof. You shall also notify Company of any actual or threatened action, claim or demand against you relating to the Proprietary Marks within five (5) business days after you receive notice of said action, claim, or demand. Upon receipt of timely notice of an action, claim or demand against you relating to the Proprietary Marks, Company shall have the sole right, but not the duty, to defend any such action. Company shall have the exclusive right to contest or bring action against any third party regarding the third

party's use of any of the Proprietary Marks and shall exercise such right in the sole discretion of Company and MGH. Company shall control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Proprietary Marks or components of the System undertaken by Company, Developer shall cooperate with Company and MGH, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Company's counsel, to carry out such defense or prosecution. COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE PROPRIETARY MARKS.

8.26 All provisions of this Agreement applicable to the Proprietary Marks apply to any and all additional trademarks, service marks and commercial symbols authorized for use by and licensed to you by Company after the date of this Agreement.

## **9 OBLIGATIONS OF THE COMPANY**

In addition to the other obligations in this Agreement:

9.1 **Initial Training Program.** You, or, if you are not an individual, the person designated by you to assume primary responsibility for the business ("Manager"), are required to attend and successfully complete the Area Developer's Initial Training program which is offered by the Company at its corporate headquarters or at another location in the United State designated by the Company in its sole discretion ("Initial Training Program"). The Initial Training Program shall consist of at least two (2) weeks, but no more than four (4) weeks, (depending on the amount of prior experience of Developer or Manager) of instruction for up to two individuals who are eligible to participate in the Company's Initial Training Program without any additional charge of tuition or fees. Such costs are included within the Purchase Price for the Territory. At least one individual must successfully complete the Initial Training Program prior to the commencement of operations. Training will be conducted as soon as practicable after this Agreement is signed, but before you commence operations under this Agreement. Company reserves the right to waive a portion of the Initial Training Program or alter the training schedule, if in our sole discretion, the Developer or Manager has sufficient prior experience or training. If the Company determines, in its sole discretion, that the Developer or Manager has not satisfactorily completed the Initial Training Program, the Company has the option to require the Developer or Manager to attend additional training or terminate this Agreement. If at any time, Developer does not have in its employ a person who has completed the Initial Training Program, you shall immediately designate a Manager who shall attend and successfully complete the next available Initial Training Program. You shall be responsible for the fees for any additional Initial Training Programs, which shall not exceed One Thousand Dollars (\$1,000.00) per week of training, and any and all traveling and living expenses incurred in connection with attendance at any additional Initial Training Programs. If Company determines, in its sole discretion, that the proposed successor Manager has not satisfactorily completed the Initial Training Program, Company has the option to require the proposed Manager to attend additional training, require Developer to designate another proposed Manager to attend the next available Initial Training Program or terminate this Agreement. Breach of this Section shall be considered a material default under this Agreement.

9.2 **Additional Training.** The Company may conduct, in its sole discretion, one (1) seminar annually, at a location to be determined by the Company, to discuss relevant business trends and share new information relating to Franchised Stores. This seminar shall be no more than seven (7) consecutive calendar days. Attendance at the seminar is optional unless the Company gives you at least thirty (30) days prior written notice of the seminar, in which case you or your Manager shall be required to attend. Company shall not require that you attend any on-going training program more than once a year. All mandatory training will be offered without charge of a tuition or fee; provided, however, you will be responsible for any and all transportation and living expenses which are incurred in connection with attendance at the training program.

9.3 **Franchise Disclosure Documents.** We shall have the sole right and obligation to prepare and furnish you, at your expense, copies of (which, at our discretion, may be paper or electronic) all necessary franchise disclosure documents which you must furnish to prospective franchisees pursuant to local, state or federal law. You shall purchase any such materials from us or our designated suppliers.

9.4 **Leads and Assistance.** We shall furnish you with all leads received by us as to prospective purchasers of franchises in the Territory, and will furnish reasonable assistance to solicit the sale of Franchises in the Territory and to carry out the purposes of this Agreement on a timely basis.

9.5 **Written Materials and Brochures.** We shall provide you with a reasonable inventory, at your expense, of copies (which may, at our discretion be paper or electronic) of Massage Green<sup>®</sup> franchise sales brochures and other materials that we may prepare for use by you and us for sales of Franchises. You shall purchase any such materials from us or our designated suppliers.

9.6 **Advertising, Promotional and Educational Materials.** We will make available to you general advertising, promotional and educational methods, and techniques and materials developed for the Massage Green<sup>®</sup> System and our Franchisees. We may prepare from time to time materials for use by Franchisees that may be copyrighted by us. You shall purchase any such materials from us or our designated suppliers.

9.7 **Operations Manual.** Upon attendance at the Initial Training Program, the Company agrees to loan to you one or more manuals, technical bulletins or other written or electronically recorded materials covering the proper operating and marketing techniques of the Franchised Store. Such written or electronically recorded materials plus all directives, books, pamphlets, bulletins, memoranda, order forms, packing slips, invoices, letters, e-mail, Internet or Intranet data, or other publications, documents, software programs, video tapes, transmittances or communications, in whatever form (including electronic form) prepared by or on behalf of the Company for use by developers and franchisees generally or for you in particular, setting forth information, advice and standards, requirements, operating procedures, instructions or policies, as same may be added to, deleted or otherwise amended by the Company from time to time at its sole discretion, relating to the operation of the Franchised Store are collectively referred to as the

“Operations Manual.” You agree that the Operations Manual is specifically incorporated by reference into this Agreement and that it shall be considered a part hereof, and you shall comply with the applicable portions of the Operations Manual as an essential aspect of your obligations under this Agreement and failure by you to substantially comply with the Operations Manual may be considered by the Company to be a breach of this Agreement. To the extent that any terms in this Agreement conflict with those in the Operations Manual, this Agreement shall govern and supersede such conflicting terms.

**9.8 Confidentiality of Operations Manual Contents.** You agree to use the Proprietary Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of the Company and shall be used by you only during the Term and in strict accordance with the terms and conditions hereof. You agree that such Operations Manual shall be deemed to be a trade secret and shall not duplicate the Operations Manual nor disclose its contents to persons other than your employees or officers who need the information contained therein to perform their jobs and who have signed a nondisclosure and noncompetition agreement in a form approved by the Company. You shall furnish copies of all such nondisclosure and noncompetition agreements to Company immediately upon execution. You shall not make any paper or electronic copies of the Operations Manual without the prior written consent of the Company. You shall return the Operations Manual, together with all copies of any portion of the Operations Manual which you may have made, to the Company immediately upon the expiration, termination or assignment of this Agreement.

**9.9 Changes to Operations Manual.** The Company reserves the right to revise the Operations Manual from time to time at its sole discretion as it deems necessary to update operating and marketing techniques or standards and specifications. You shall immediately update your copy of the Operations Manual as instructed by the Company and shall conform your operations with the updated provisions as soon as practicable, but no later than thirty (30) days after receipt of any updated information, unless otherwise agreed to in writing by Company. You acknowledge that the master copy of the Operations Manual maintained by the Company at its principal office shall be controlling in the event of a dispute relative to the content of any Operations Manual.

**9.10 Franchise Registrations.** We shall have the sole right, but not the obligation, to file state franchise sales registrations. You agree to cooperate and assist in such filings.

**9.11 Trademark and Service Mark Registrations.** We shall have the sole right, but not the obligation, to file, in our own name, all state and federal trademark and service mark registrations for the Proprietary Marks. You agree to cooperate and assist as necessary in such filings

**9.12 Indemnification.** We agree to indemnify you and undertake to hold you harmless against any damages arising solely from your use of the Proprietary Marks as authorized under this Agreement, provided that prompt notice is given to us of any such claim or suit and provided, further, that we shall have the option to undertake and conduct the defense of any suit so brought and that no settlement of any such claim or suit shall be made without our prior written consent. For the purposes of this Section, damages shall include all fines, suits,



proceedings, claims, demands, obligations and actions of any kind, including costs and reasonable attorneys' fees.

## **10 YOUR OBLIGATIONS**

In addition to the other obligations in this Agreement:

**10.1 Compliance with Laws.** You shall comply with all applicable and valid laws and regulations in conducting your business and performing under this Agreement.

**10.2 Personal Obligation to Perform.** You recognize that your personal efforts and the efforts of the Manager are important to the success of the activities contemplated by this Agreement, and that the commitments by such individual(s) to use his or her or their commercially reasonable best efforts and to participate personally in the management of the business (unless otherwise approved in writing by us) were, and are, material inducements to us to enter into this Agreement. We shall at all times during the term of this Agreement and any renewals have the right to approve the Manager. You or the Manager who has successfully completed the Initial Training Program shall be responsible for the management of the business under this Agreement and be present at, and doing work only for, the business a minimum of forty (40) hours each week. Your or their failure to satisfy these obligations will be considered an act of material default pursuant to this Agreement.

**10.3 Advertising, Recruiting and Screening.** You shall be responsible for advertising, recruiting, screening and interviewing prospects for Franchises within the Territory. Once you are approved to offer and sell Franchises under Section 6.1 of this Agreement, you must spend a minimum of One Thousand Dollars (\$1,000.00) on advertising for prospective Franchisees in the Territory per month and shall submit, on a form approved by the Company, an accounting of the monthly expenditures on such advertising. You must submit such advertising to Company for prior approval, pursuant to the terms of Section 8. In certain states, such advertising must also be approved by the appropriate state agency prior to use; you shall work with Company to coordinate such approval. You shall be responsible for all printing costs of such advertising. You shall provide prospective Franchisees with written information regarding a Franchise approved by the Company, including, without limitation, the materials set forth in Section 6.6. You shall submit each qualified applicant ("Applicant") for a Franchise to Company for approval, submitting such information and forms as designated by the Company in its sole discretion. You further agree to use your best efforts to ensure that all Applicants submitted to Company by you, if an individual, or the Manager(s) and owner(s) of the Applicant, if the Applicant is not an individual, shall be individuals who are of good character, have adequate financial resources and meet Company's criteria for Franchisees, as we determine from time to time at our sole discretion. Each qualifying application for a Franchise received by Developer shall be submitted to Company with all information respecting the Applicant, and its ownership, if applicable, the Applicant's proposed franchise location, if known, and Target Area and all other information then customarily required by Company concerning Applicants, including such financial statements and other information as Company may reasonably require. Developer shall assist the Applicant in the preparation of such financial reports and other information.

10.4 **Massage Green® System.** You agree to operate in accordance and otherwise comply with the Massage Green® System and to require Franchisees in the Territory to do so. You recognize that from time to time we may change the Massage Green® System, including but not limited to the Proprietary Marks, signage and equipment. You agree to accept and use all such changes at your own expense (except as specifically provided for in this Agreement), and to require Franchisees in the Territory to do so.

10.5 **Advertising and General Operations.** You agree to comply with the standards of service and advertising established by us from time to time, and use your best efforts to ensure that all Franchisees in the Territory comply with such standards. You agree to implement and support the Massage Green® System in the Territory so as to maintain and enhance uniform standards and operations throughout the entire Massage Green® franchise system. You agree to give prompt, courteous and efficient service, and to be governed by the highest ethical standards of fair dealing and honesty when dealing with Franchisees, prospective Franchisees, Applicants and the public and all members of the Massage Green® franchise system in order to preserve and enhance the identity, reputation and goodwill built by the Massage Green® franchise system and the value of the Proprietary Marks. You shall not single out any Franchisee, prospective Franchisee or applicant in the Territory for special consideration or treatment.

10.6 **Provision of Materials to Franchisees.** You agree to provide Franchisees in the Territory with advertising, promotional and educational methods and techniques developed for the Franchisees in the Territory, and with Operating Manuals, and appropriate revisions and supplements, designed for the Massage Green® System and the Territory. Such materials and programs and any changes or additions to them are subject to our prior written approval for compliance with Massage Green® standards.

10.7 **Site Services.** Developer shall perform the following services (“Site Services”) with respect to site selection, construction and related actions for Franchisees and prospective Franchisees in the Territory:

(a) Assist with Target Area and store location selection for each Franchisee, which shall consist of providing each Franchisee with criteria for a satisfactory site and assisting each Franchisee in completing a site submittal package (containing such demographic, commercial and other information as Company may reasonably require) for each location at which Franchisee proposes to establish and operate a Franchise, assist in negotiating lease or purchase agreement terms and coordinate the work of contractors and architects with respect to the development of each Franchised Location;

(b) Advise, assist and support Franchisees in the Territory in the proper construction of their Massage Green® Franchised Stores including, but not limited to, color schemes, design of the interior, hiring of contractors, and purchase of equipment and signs in accordance with the guidelines established by us and as modified from time to time;

(c) Submit completed Site Services forms and reports to Company as prescribed by Company from time to time, including site selection and pre-opening assistance forms and reports related to leases and construction.

**10.8 Pre-Opening and Opening Support Services.** With respect to Franchisees in the Territory, Developer shall perform the following services (“Pre-Opening and Opening Support Services”):

(a) Provide advice and any lists or documents approved by the Company to Franchisees regarding the standards and specifications for the equipment, inventory, supplies and materials used in and offered for sale by, the Franchised Store and advice, materials and lists regarding the approved suppliers for the purchasing of such items used in connection with the Franchised Store as specified by the Company;

(b) Provide grand opening support and assistance for a minimum of one (1) week before the opening of Franchised Stores to Franchisees in the Territory, as specified by the Company, including, without limitation, training, advice and assistance with grand opening event(s), advertising and marketing, and coordinating marketing with local media and trade publications; and

(c) Provide on-site assistance for a minimum of the first two (2) weeks after opening of the Franchised Stores to Franchisees as specified by the Company, including, without limitation, guidance on advertising, marketing programs, operating and sales procedures and bookkeeping and accounting programs and other training as specified by the Company.

**10.9 Ongoing Support Services.** With respect to Franchisees in the Territory, Developer shall perform the following “Support Services”:

(a) Upon the reasonable request of a Franchisee, provide consultation by telephone regarding the continuing operation and management of the Franchised Stores and advice regarding services, products, quality control and customer relations issues and provide Franchisees with telephone numbers for this consultation;

(b) Provide on-going updates of information and programs regarding products and services offered and the System, including without limitation, information about special or new services or products;

(c) Provide advice and assistance to Franchisees in connection with the development of and improvements to Franchised Locations;

(d) Conduct at least one quality assurance inspection (or re-inspection in the case of a failed first inspection) of each Franchised Location in the Territory every month and conduct monthly business reviews in connection with such reports, in the manner as required by Company, from time to time in its sole discretion, to assure that each Franchisee in the Territory has complied satisfactorily with all of the terms and conditions of the Franchise Agreement, specifications, standards, operating procedures, and the Operations Manual. Those inspections

and business reviews to be verified by written reports in a form specified by Company from time to time in its sole discretion and to be personally conducted by the Developer or Manager. Developer shall make arrangements with Franchisees to grant access, without notice, during normal business hours, to their Franchised Locations for the purposes of these inspections;

(e) Provide access to and distribution of advertising, training, marketing, promotional and other materials as may be developed by Company from time to time in its sole discretion to Franchisees; and

(f) Submit periodic reports to Company on activities in the Territory, using procedures and forms prescribed by Company from time to time in its sole discretion.

**10.10 Advertising Cooperatives and Monitoring of Franchisee Advertising.** You agree, on an on-going basis, to initiate, create and implement Local Advertising Cooperatives for one or more areas in the Territory designated by us, at our sole discretion, and related programs, subject to the prior written approval of the Company, which such approval shall be at the Company's sole discretion. With respect to marketing, you agree to monitor the marketing and advertising efforts of each Franchisee in the Territory to ensure compliance with our requirements. With respect to advertising for and soliciting prospective franchisees, you agree to send such advertising that you develop to us for our approval, and where relevant, the approval of the regulatory authorities of the state you are located in, before you use such advertising.

**10.11 Training of Franchisees.** You will be responsible for coordinating with the Company for scheduling each Franchisee in the Territory to attend the Initial Training Program and any conventions, seminars as may be directed by us. Upon the request of the Company, you shall provide, at your own expense, for the training of Franchisees in the Territory after the Initial Training Program provided by us, including on-going training, prescribed and/or approved by us, at our sole discretion, following opening of a Franchisee's Franchised Store. Upon the request of the Company, you shall hold regular management seminars, prescribed and/or approved by us, at our sole discretion, for all Franchisees in the Territory. The costs of all such materials and programs shall be borne by you.

**10.12 Personnel.** You agree to hire the appropriate personnel necessary to conduct your business as determined. You shall be responsible for all associated costs and overhead associated with the conduct of your business except as otherwise specifically provided in this Agreement. You shall be responsible for the payment of salaries or commissions, if any, to any sales personnel working for or hired by you and you shall indemnify and hold us harmless from any federal, state or local municipality withholding, unemployment, consumer, FICA, FUTA or workmen's compensation with respect to all of your employees. You will bear all costs of soliciting prospective Franchisees, including, but not limited to, all phone, office, administrative, personnel, staffing, advertising, marketing and other recruiting costs and expenses.

**10.13 Developer's Operation of a Franchise.** You agree that your appointment as an Area Developer requires your operation of at least one (1) Massage Green Franchised Store under a Franchise Agreement, without any default or breach of such Franchise Agreement(s), beginning no later than six (6) months from the effective date of this Agreement and continuing

through the remaining term of this Agreement. You must always operate your Franchises in a manner that: (a) is in full compliance with the Franchise Agreement for the Franchise and with all of our standards and specifications, as modified from time to time, and (b) does not present a health or safety hazard to your customers, employees or the public. You agree to all terms and conditions contained in each Franchise Agreement entered into between you and us and agree that any default or breach under any such Franchise Agreement giving rise to termination under any such Franchise Agreement shall also constitute a default or breach under this Agreement giving rise to termination of this Agreement under the same terms as set forth in the applicable Franchise Agreement.

**10.14 Quality Inspection Reports and Monitoring of Franchisees' Breaches.** The quality inspection reports referenced in Section 10.9 must be received by us no later than the 15th day of the month following the report month. Failure to do so shall permit us to withhold payment of your share of royalties due for the Franchise(s) for which you fail to report; provided, however, if you fail to report for ten percent (10%) or more of the Franchises in the Territory, the entire monthly remittance due from us for the month in which such failure occurs will be withheld and forfeited. Violation of this provision shall also be considered a material default under this Agreement. If your failure to report is the result of circumstances beyond your control (e.g., floods, war, riots, widespread transportation disruption, earthquake, widespread power disruption, or other acts of God), such default or withholding may be waived by us, in our sole discretion. In addition to preparing monthly business reviews and quality assurance inspections, you will collect monthly financial statements from Franchisees as required under the Franchise Agreements and provide them to us at the same time you send us the monthly reports of the business reviews and quality assurance inspections. Developer understands and acknowledges that its inspections and reports are advisory only and that Company shall have: (a) all of the rights to inspect and ascertain compliance of all Franchisees as if this Agreement were not in effect; (b) the sole right to send notices of default to Franchisee; (c) the sole right to terminate a Franchise Agreement; and (d) the sole right to take any legal action with respect to any default or any violation of a Franchise Agreement. If Developer believes that any Franchisee in the Territory has breached a Franchise Agreement with Company, Developer shall document, in writing, all facts related to the alleged breach and shall request, in writing, that Company investigate such alleged breach. If, as a result of Company's investigation, Company determines that there is a breach by that Franchisee of its Franchise Agreement with Company, Company shall, in its sole discretion, take such actions as it deems appropriate.

**10.15 Office Equipment.** You agree to equip your office and staff with communications, computer (hardware and software) and other equipment in accordance with our standards, and conform within one (1) month to any published change in standards. Such standards shall include, but not be limited to, equipping each office with office and mobile telephones, fax machines, office and portable computers with cable modem, DSL or other high speed internet connection or, if the foregoing is not available, dial-up internet connection, and other mandated software, and other equipment. All of your current telephone numbers and e-mail addresses shall be provided to us and all Franchisees in the Territory.

**10.16 Preservation of Goodwill.** You shall not undertake any conduct or communications, directly or indirectly, that may impair the reputation, goodwill, business or

profitability of our affiliates or us, nor shall you impair the trademarks and service marks of our affiliates or us. Upon the execution of this Agreement, you shall provide us with biographical and other information requested about you required to be included in the franchise disclosure document prepared by us under the laws and regulations applicable in the Territory, including but not limited to any litigation, dispute resolution proceedings, or bankruptcy proceedings involving you or your affiliates. You agree that you have a continuing obligation during the term of this Agreement to update all such information, and you agree to promptly give us notice of any changes to such information, and to promptly return to us accurate and complete questionnaires when requested by us.

**10.17 Enforcement of Franchise Agreements.** You agree that if requested by us, you will assist us or our affiliates, as the case may be, in the enforcement of all provisions of any Franchise Agreement, lease or sublease or software sublicense agreement for any Franchised Store established or to be established in the Territory, including, but not limited to, the collection of monies due us or our affiliates, and ensuring Franchisees compliance with all required reporting. You also agree that you will promptly give us written notice of any Franchisee that is in breach of its respective Franchise Agreement.

**10.18 Claims.** If any claim is made as a result of a breach, error, representation, misrepresentation, omission or negligence of yours, you shall pay one hundred percent (100%) of the liabilities and expenses; provided, however, if such claim is the result of a material error, omission or gross negligence of ours, we will pay one hundred percent (100%) of the liabilities and expenses. You agree to pay fifty percent (50%) of the liabilities for all other claims that relate to, affect or benefit the Territory. These liabilities and expenses shall include, but not be limited to, mediation and arbitration fees, court costs, fees for outside attorneys, witness fees, settlements, judgments (including awards of punitive damages) and travel expenses, including all such liabilities and expenses associated with any appeal incurred by us or our affiliates. If such actions require you to incur travel expenses outside the Territory, we shall pay fifty percent (50%) of your reasonable and necessary travel expenses, unless such travel expenses are incurred for a claim made as a result of a breach, error, representation, misrepresentation, omission or negligence of yours and in that instance you shall pay one hundred percent (100%) of such travel expenses; provided, however, if travel is a result of our material error or omission, we shall pay one hundred percent (100%) of such travel expenses.

**10.19 Assistance with Re-Opening, Sales or Closing of Franchises.** You agree to assist us, without charge, to reopen, sell or permanently close Franchises that close in the Territory.

**10.20 Insurance Coverage.** You shall, at your expense, procure and maintain at least the following level of insurance over all of your operations: (a) comprehensive general liability in the amount of \$2,000,000 per occurrence and \$3,000,000 aggregate or greater if required by any lease of the premise or other agreement in connection with your business; this policy will cover claims of bodily injury, property damage, personal injury, advertising injury and shall include a waiver of subrogation in favor of you; (b) automobile liability in an amount not less than \$1,000,000 for owned, non-owned and hired vehicles used in your business; (c) statutory workers' compensation insurance and employer's liability of \$1,000,000/\$1,000,000/\$1,000,000;

(d) property insurance equal to 100% of the replacement cost value of furniture, fixtures, equipment and improvements at all premises of your business, including a special causes of loss form; and (d) unemployment insurance. These policies must name the Company, its affiliates and their directors, officers and employees as additional insureds and must provide that the Company will be given thirty (30) days written notice of cancellation. All policies will be effective no later than the date you commence operations hereunder and coverage will be provided by an insurance company with a Best's Insurance rating of A- VII or better. Company may, in its sole discretion, modify the above minimum insurance requirements from time to time in our sole and absolute discretion and notify you of the changes in writing or through revisions to the Operations Manual.

**10.21 Proof of Insurance Coverage.** Ten (10) days prior to commencement of the operation of your business, you must provide written proof of coverage to us in the form of a certificate of insurance using a form we shall specify. Annually, you will provide us with a certificate of insurance thirty (30) days prior to the renewal of all such policies. Non-compliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement. We shall also have the right to place the minimum required coverage on your behalf and charge back all premiums including an administrative fee to be determined at the time of the charge back, or withhold such premiums and administrative fees in accordance with Section 5.3 of this Agreement. You will not operate your business without the minimum required insurance in effect at all times.

**10.22 Field Meetings.** You and your key management staff and/or officer(s) agree to attend, at your own expense, each of up to four (4) field meetings organized by us per calendar year and all sessions of each such meeting at locations selected by us. If you fail to attend and participate in the meetings scheduled by us, you will be penalized Two-Thousand Five-Hundred Dollars (\$2,500.00) per incident. Your failure to attend two (2) consecutive meetings will be considered an act of default pursuant to this Agreement. If you violate this provision, we have the right to deduct all sums due and owing from your monthly remittance check.

**10.23 Failure to Perform Services.** If you fail to perform services for Franchisees in the Territory which you are required to perform under this Agreement, then, in addition to the other remedies set forth herein, including, without limitation, considering you in material default of this Agreement, you agree to pay our costs plus twenty-five percent (25%) of performing these services in your stead if we, in our sole discretion, choose to do so. We have the right to deduct all sums due and owing for this purpose from your monthly remittance check.

**10.24 Monitoring Communications.** You agree to monitor all sources of communication from us, Franchisees in the Territory, Applicants and prospective franchisees, including but not limited to mail, voice mail, facsimile, and electronic mail, on a daily basis. You shall respond to all communications from us, Franchisees in the Territory, and prospective franchisees within twenty-four (24) hours of receipt.

**10.25 No Undisclosed Payments.** You agree that you will not receive any payments including, without limitation, discounts, rebates or the like from any existing or prospective franchisee, landlord, vendor, distributor or supplier, or any representative or agent thereof, in

connection with your business or your Franchise(s) without the prior written approval of the Company, which approval shall be at the Company's sole discretion.

**10.26 Books and Records.** You agree to keep current financial records in accordance with generally accepted accounting principles and to provide us with monthly financial statements in a form approved or prescribed by us no later than the 10<sup>th</sup> day after the end of each calendar month and with an audited annual profit and loss statement and balance sheet as of the last day of each calendar year or, if applicable, fiscal year, no later than ninety (90) days after the end of such year.

**10.27 Franchisees' Agreement.** Developer acknowledges that it is being delegated certain responsibilities of Company under the Franchise Agreement to Franchisees in the Territory. The responsibilities to Franchisees are to be performed by Developer as described herein or as may in the future be set forth in the Operations Manual or other reasonable standards and specifications as may be provided by Company from time to time. In the performance of services to Franchisees located in the Territory, Developer shall in all respects comply with the terms and conditions of any Franchise Agreement or other agreement in effect between Franchisee and Company. Developer understands, however, that its rights as an Area Developer are only by virtue of this Agreement and that it is not in any manner a party, third party beneficiary or holder of any other right, title or interest in or to any Franchise Agreement.

**10.28 Fees for Printed Materials.** The Developer acknowledges and agrees that it must purchase from the Company reasonable supplies of the current franchise disclosure document, advertising materials, training materials and all other written materials which the Company requires you to furnish to Franchisees or prospective Franchisees in the Territory.

**10.29 Mystery Shopper.** The Developer shall assist with the selection and monitor the operations of one or more independent "mystery shoppers," if so requested by the Company, who shall evaluate the Franchises in the Territory. The selection and oversight of the mystery shopper(s) shall be at the sole discretion of the Company. The Developer shall use its best efforts to assure that the Franchisees in the Territory do not interfere with the services performed by the mystery shoppers and shall not under any circumstances disclose the identity of the mystery shoppers to any Franchise or other third party. The Developer shall contribute to the payment for the services of the mystery shoppers in the Territory if the cost of such services exceeds \$125 per Franchise per month, with Developer's contribution not to exceed an additional \$125 per Franchise per month. In the event that Developer discloses, without our approval, the identify of any of the mystery shopper(s), Developer shall be responsible for the entire cost of the mystery shopper(s), plus any costs of selecting and training new mystery shoppers. Such disclosure shall also be considered a default under this Agreement. Developer's contribution shall be deducted from Developer's monthly remittance.

## **11 RENEWAL**

You may extend the term of this Agreement for one additional ten (10) year term provided that: (a) you give us written notice of your election to renew not less than one (1) year prior to the expiration of the then-current term; (b) you are not in default of any provision or



obligation contained within this Agreement or any other then existing agreement between you and us at the time you give the renewal notice and thereafter until the commencement of the renewal term; (c) you sign our then current form of area development agreement, which agreement may contain different terms and conditions, but will not reduce the percentage compensation we pay you pursuant to Section 5 above; and (d) you pay a renewal fee in an amount equal to \$2,500 times the number of Franchised Stores open and operating in your Territory (not including Exempt Franchises). The cumulative number of Franchises that you must have open and operating in your Territory at the end of the Development Schedule for the initial term of this Agreement must be maintained by you throughout the renewal term unless otherwise modified as provided in this Agreement.

## **12 SALE OR TRANSFER/RIGHT OF FIRST REFUSAL**

### **12.1 Assignment by You**

(a) You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and, except as stated below, you shall not, without the Company's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber, in whole or in part, any interest in this Agreement or in your business hereunder. Any unauthorized sale, assignment, transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void and grounds for termination of this Agreement by the Company.

(b) If you or any permitted successor is a partnership, limited liability company ("LLC") or corporation:

(i) The Articles of Partnership, Partnership Agreement, Articles of Organization, Articles of Incorporation, by-laws and other organizational documents shall provide that the issuance and transfer of any interest in you is restricted by the terms of this Agreement. Copies of such documents and of resolutions of your board of directors or managers authorizing its entry into this Agreement shall be furnished to the Company upon request.

(ii) All general partners, members and all direct and indirect holders of a ten percent (10%) or greater equity interest shall, upon your execution of this Agreement, execute an agreement personally guaranteeing to the Company the full payment and performance of your obligations to the Company and undertaking to be bound, individually, jointly and severally, by all the terms of this Agreement including, without limitation, the restrictions on assignment contained herein. The Personal Guaranty shall be in the form attached hereto as Exhibit D or in such other form as the Company may from time to time prescribe.

(iii) You shall not use the name "Massage Green" or any other Proprietary Mark, or any name deceptively similar thereto, except to reflect your relationship with the Company. Neither you nor any of your owners may issue or sell, or offer to issue or sell, any securities of you or an affiliate of you, regardless of whether such sale or offer would be required to be registered pursuant to the provisions of the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction, without obtaining our prior written consent, which is

in Company's sole discretion, and complying with all of the Company's requirements and restrictions concerning use of information about the Company, its affiliates or the System.

(iv) You shall furnish the Company, at the time of execution of this Agreement and upon all transfers subject to the provisions of this Section 12, a list of all stockholders, members, managers and partners having an interest in you, their respective percentage interests and the number of shares directly and indirectly owned or controlled by each.

(v) You, if a corporation, shall maintain stop transfer instructions against the transfer on its records of any securities with voting rights subject to the restrictions of this Section 12 and shall cause all certificates representing outstanding voting securities to be surrendered for reissuance and cause all certificates for voting securities in the future to be issued with this legend printed conspicuously upon the face of each certificate:

“The transfer of this certificate and the shares it represents is subject to the terms and conditions of a certain Area Development Agreement with Massage Green International Franchise Corp. Reference is made to that Agreement and to certain restrictive provisions of the Articles and by-laws of this corporation.”

(vi) You acknowledge and agree that the restrictions on transfer imposed herein are reasonable and necessary to protect the System, the Company's Proprietary Marks, Trade Secrets, and operating procedures and quality, as well as the Company's high reputation and image, and are for the protection of the Company, you, and Franchisees. No attempted assignment or transfer permitted by this Section 12 shall take effect without the Company's written consent.

**12.2 Conditions Precedent to Your Assignment.** You shall not sell, transfer or assign your rights under this Agreement or any interest in it, or any part or portion of any business entity that owns you or all or a substantial portion of the assets of your business, unless you obtain the Company's written consent, which, unless specifically prohibited by state or federal law, such consent or rejection shall be at the sole discretion of the Company, and you and the proposed transferee comply with the each of the following requirements, unless specifically prohibited by state or federal law; you acknowledge that the failure to comply with any such requirement shall constitute good cause for the Company to refuse to permit a transfer or assignment of your rights under this Agreement or any interest in it, or any part or portion of any business entity that owns you or all or a substantial portion of the assets of your business:

(a) Payment of all amounts due and owing pursuant to this Agreement by you to the Company or its affiliates or to third parties whose debts or obligations the Company may have (at its sole discretion) guaranteed on behalf of you, if any;

(b) You cure any default of any provision of this Agreement or any of your Franchise Agreements, any amendments thereof or successors thereto, or any other agreements

between you and the Company, its parent, subsidiaries or affiliates existing at the time of the proposed transfer;

(c) The proposed transferee must demonstrate to the Company's satisfaction that the proposed transferee meets the Company's then current reasonable qualifications or standards, including, without limitation: (i) the Company's educational, managerial and business standards; (ii) has satisfactory franchising business reputation and credit rating; (iii) has the aptitude and ability to operate the business (as may be evidenced by prior related experience or otherwise); and (iv) has at least the same managerial and financial criteria required of you and shall have sufficient equity capital to operate the business;

(d) The proposed transferee, its owners or members of their immediate family are not directly or indirectly involved as employees, directors, owners, consultants, representatives or otherwise affiliated with a Competitive Business (as defined in Section 24.1(c) of this Agreement);

(e) The proposed transferee agrees to satisfactorily complete the Initial Training Program described in this Agreement, which training may be completed by the transferee either prior to or immediately after assignment of this Agreement;

(f) An express written assumption by the proposed transferee of your obligations pursuant to this Agreement, or at the option of the Company, execution of an Agreement in a form then currently offered by the Company, the term of which may end on the expiration date of this Agreement, and which shall supersede this Agreement in all other respects. If a new Agreement is signed, the terms thereof may materially differ from the terms of this Agreement. The transferee will not be required to pay any additional fees pursuant to Section 4, but a transfer fee equal to ten percent (10%) of the total consideration paid to or received by you must be paid by you or the proposed transferee at least thirty (30) days prior to the date of the proposed transfer. This fee shall not be refundable. The proposed transferee must assume and agree to discharge all of your obligations under this Agreement and, if deemed necessary by the Company, the transferee's principals, individually, shall personally guarantee the performance of all such obligations in writing in a form satisfactory to the Company;

(g) Provision by you of written notice to the Company sixty (60) days prior to the proposed effective date of the transfer, such notice to contain information reasonably detailed to enable the Company to evaluate the terms and conditions of the proposed transfer;

(h) The proposed transferee shall have provided information to the Company sufficient for the Company to assess the proposed transferee's business experience, aptitude and financial qualification, and the Company shall have ascertained that the proposed transferee meets Company's qualifications;

(i) Execution by you of a full release, in a form satisfactory to the Company, of the Company, its affiliates and their respective officers, directors, employees and agents, which shall include, without limitation, a full release from any and all liability, actions, causes of action, claims, demands, damages, costs, expenses, and compensation of whatsoever nature or

character, whether known or unknown, foreseen or unforeseen, direct or indirect, contingent or actual, liquidated or unliquidated, whether in contract or in tort on account of or in any way connected with or related to the Company's offer, sale, grant of, construction or operation of or development and/or franchise rights arising out of or relating to this Agreement and/or the relationship between Company and you, and/or the relationship between you and the Company, from the inception of any contact with the Company to the date of the release; and

(j) Agreement by you to abide by the post-termination covenant not to compete set forth in Section 24 herein and all other applicable continuing obligations under this Agreement.

**12.3 Company's Approval of Transfer.** The Company shall have sixty (60) days from the date of the written notice to approve or disapprove in writing of your proposed assignment. You acknowledge that the proposed transferee shall be evaluated for approval by the Company based on the same criteria as is currently being used to assess new area developers of the Company and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If the Company has not given you notice of its approval or disapproval within such period, the request for the transfer or assignment is deemed rejected.

**12.4 Right of First Refusal.** In the event you wish to sell, transfer or assign your rights under this Agreement or any interest in it, or any part or portion of any business entity that owns you, or all or a substantial portion of the assets of the business hereunder, you agree to grant to the Company a sixty (60) day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written offer to purchase submitted to you by the proposed purchaser; provided, however, the following additional terms and conditions shall apply.

(a) You shall notify the Company of such offer by sending a written notice to the Company (which notice may be the same notice as required by Section 12.2 above), enclosing a copy of the written offer from the proposed purchaser;

(b) The sixty (60) day right of first refusal period will run concurrently with the period in which the Company has to approve or disapprove the proposed transferee;

(c) Such right of first refusal is effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer (including, without limitation, a change in the offered price) shall be deemed a separate offer on which a new sixty (60) day right of first refusal shall be given to the Company;

(d) If the consideration or manner of payment offered by a third party is such that the Company may not reasonably be required to furnish the same, then the Company may purchase the interest which is proposed to be sold for the reasonable cash equivalent. If the parties cannot agree within a reasonable time on the cash consideration, the cash consideration shall be determined by an independent appraiser, whose determination will be binding upon the parties. All expenses of the appraiser shall be paid for equally by the Company and you. If the

parties cannot agree within a reasonable time to the appointment of a single independent appraiser, the Company and you shall each select an independent, qualified appraiser, and the two so selected shall select a third appraiser, with all three to determine the equivalent cash consideration payable. The cash consideration shall be the median of the cash value as determined by the three appraisers; and

(e) If the Company chooses not to exercise its right of first refusal, you shall be free to complete the sale, transfer or assignment, subject to compliance with Sections 12.2 and 12.3 above. Absence of a reply to your notice of a proposed assignment or sale within the sixty (60) day period is deemed a waiver of such right of first refusal.

**12.5 Types of Transfers.** You acknowledges that the Company's right to approve or disapprove of a proposed assignment, sale or transfer as provided for above shall apply: (a) if you are a partnership, limited liability company or other business association, to the addition or deletion of a partner or member of the association or the transfer of any partnership or membership among existing partners or members; (b) if you are a corporation, to any proposed transfer or assignment of twenty percent (20%) or more of the stock of your corporate entity, whether such transfer occurs in a single transaction or several transactions; and (c) if you are an individual, to the transfer from such individual or individuals to a corporation controlled by them, in which case the Company's approval will be conditioned upon: (i) the continuing personal guarantee of the individual (or individuals) for the performance of obligations under this Agreement; (ii) the issuance and/or transfer of shares which would affect a change in ownership of twenty percent (20%) or more of the stock in the corporation being conditioned on the Company's prior written approval; (iii) a limitation on the corporation's business activity to that of operating the business hereunder and related activities; and (iv) other reasonable conditions as Company may specify at its sole discretion.

**12.6 Sale or Assignment by the Company.** You acknowledge that Company's obligations under this Agreement are not personal to Company, and Company can unconditionally sell, transfer or assign, on its own discretion, this Agreement, and any rights or obligations thereunder, to another corporation or any other party, including, without limitation, the operator of a competing franchise system, without approval by you, any Franchisee or any other person.

(a) You acknowledge and agree that Company may sell its assets, the Proprietary Marks or the System to any third party of Company's choice; may offer its securities privately or publicly; may merge with or acquire other corporations or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring; or may terminate or cease to exist or dissolve, in any such case without your consent and, provided the transferee expressly assumes and undertakes to perform Company's obligations in all material respects, free of any responsibility or liability whatsoever to you after the transaction occurs.

(b) With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands, or damages against Company arising

from or related to the transfer or assignment of this Agreement, the Proprietary Marks or the System from Company to any other party.

**12.7 You Your Death or Disability.** If Developer or owners owning 20% or more of the Developer entity (if Developer is a corporation, partnership, limited liability company or other entity) dies or becomes permanently disabled, Developer's or its owner's rights under this Agreement will pass to the estate, heirs, devisees or legal representatives of Developer or its owner (collectively referred to in this Agreement as the "estate"). The estate may continue operation of the Developer's business if: (a) the business is not closed for more than 14 days and is thereafter operated in accordance with applicable law; (b) the estate provides a qualified individual acceptable to the Company to manage and operate the Developer's business on a full time basis; (c) the manager attends and successfully completes the Company's training program at the estate's expense; and (d) the manager assumes full time operation of the Developer's business within 90 days of the date Developer or the owner dies or becomes incapacitated. If the estate fails to designate an acceptable manager or the designated manager fails to attend and satisfactorily complete the training program and to assume the full time operation of the Developer's business within 90 days of the death or incapacity, then the estate must sell the estate's interest in the Developer's business or in this Agreement within 180 days of the date of death or incapacity. Any sale is subject to the Company's right of first refusal under Section 12.4 and subject to The Company's consent under Sections 12.2 and 12.3. Failure to transfer the interest within the 180 day period shall constitute a material breach of this Agreement. For the purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Developer or the owner from supervising the management and operation of the business for a period of one hundred twenty (120) days from the onset of such disability, impairment or condition.

### **13 BREACH AND DEFAULT GIVING RISE TO IMMEDIATE TERMINATION**

The Company shall have the right, at its option, to terminate this Agreement and all rights granted to you hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective immediately upon notice to you, addressed as provided in Section 20.11, upon the occurrence of any of the following events:

13.1 The failure to pay any sums owed to us under this or any other agreement, including, without limitation, any Franchise Agreements in which you (or any shareholder or partner in you) have an interest, within ten (10) days of written notice from the Company.

13.2 The failure to furnish prospective Franchisees in the Territory with the documents specified in this Agreement, or to comply with the legal standards specified therein including, but not limited to, any violation of federal or state law pertaining to the offer and/or sale of franchises or the rendering of information reasonably construed as an earnings claim.

13.3 The abandoning or surrendering of your business for a period of five (5) consecutive days, unless such abandonment or closing is due to fire, flood, earthquake or other

similar causes beyond your control and not related to the availability of funds to you. In addition to, or instead of termination, Company may also impose a penalty of \$1,000 for each day your business is not opened fully during normal business hours, unless due to fire, flood, earthquake or other similar causes beyond your control and not related to the availability of funds to you.

13.4 The conviction of or pleading of no contest by you or your Manager(s) to a felony, a crime involving moral turpitude or any other crime or offense that, in the Company's judgment, is likely to adversely affect our reputation and the goodwill associated with the Proprietary Marks.

13.5 If you have received three (3) notices of default with respect to your obligations hereunder from the Company within any twenty-four (24) month period, regardless of whether the defaults were cured by you.

13.6 If you make any sale, transfer or assignment without complying with the provisions of Section 12 above.

13.7 The misuse or unauthorized use of any Proprietary Marks or committing of any act that can be reasonably expected to materially impair the goodwill associated with any Proprietary Marks.

13.8 The unauthorized use or disclosure of a trade secret or other Confidential Information of ours.

13.9 The making of a material misrepresentation to us before or after the execution of this Agreement.

13.10 The failure to be in material compliance with any and all state, local and federal governmental regulations that are applicable to the conduct and operation of your business.

13.11 If you become insolvent or are adjudicated bankrupt; or any action is taken by you, or by others against you under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors, or a receiver is appointed for you or if proceedings for a composition with creditors under any state or federal law should be instituted against you.

13.12 If any material judgment (or several judgments which in the aggregate are material) is obtained against you and remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against your business or any of the property used in the operation of your business hereunder or to foreclose on any lien against assets of your business hereunder, and is not discharged or dismissed within five (5) days; or if the real or personal property of your business hereunder shall be sold after levy thereupon by any sheriff, marshal or constable.

13.13 If Company determines, in its sole discretion, that you or you Manager(s) are unable to satisfactorily complete the Initial Training and Company exercises its option to terminate this Agreement.

13.14 The acceptance of any payments not disclosed to and approved by us from any existing or prospective franchisee, landlord, vendor, distributor or supplier, or any representative or agent thereof, in connection with the business of us or our Franchisees pursuant to this Agreement.

13.15 The material breach, default or violation by you of another agreement with or obligation owed to us.

13.16 The failure to maintain residency requirement pursuant to this Agreement.

13.17 For a breach or default for breaches specified in Sections 8, 10.1, 10.2, 10.7, 10.8, 10.9, 10.13, 10.14, 10.20, 10.21, 12 and 24 of this Agreement.

#### **14 BREACH AND DEFAULT GIVING RISE TO TERMINATION UPON THIRTY DAYS NOTICE**

The Company shall have the right to terminate this Agreement (subject to any state laws to the contrary, where such state law shall prevail), effective upon thirty (30) days written notice to you, if you breach any other provision of this Agreement and fail to cure the default during such thirty (30) day period. In that event, this Agreement will terminate without further notice to you, effective upon expiration of the thirty (30) day period. Defaults under this Section shall also include the following, even if such actions do not constitute a breach of this Agreement:

14.1 You fail to maintain and/or adhere to the then-current operating procedures and standards established by the Company as set forth herein or in the Operations Manual or otherwise communicated to you.

14.2 You engage in any unauthorized business or practice under the Company's Proprietary Marks or under a name or mark which is confusingly similar to the Company's Proprietary Marks.

14.3 You fail, refuse or neglect to obtain the Company's prior written approval or consent as required by this Agreement.

14.4 You breach or default under any term of any Franchise Agreement for any Franchised Location, or any other agreement with us, our parent, subsidiaries or affiliates relating to your business hereunder or to one or more of your Franchised Store(s) and such default is not cured within the time specified in such lease, other franchise agreement or other agreement.



14.5 You fail to timely pay a Shortfall Unit payment due under Section 7.2 or if, at any time, you have more than two Shortfall Units.

## **15 EXPIRATION**

15.1 This Agreement shall expire and thereby terminate automatically ten (10) years from the effective date of this Agreement, unless it is renewed pursuant to this Agreement.

15.2 This Agreement may also be terminated at any time by the mutual consent of the parties to this Agreement or by operation of law.

## **16 RIGHTS AND DUTIES UPON TERMINATION**

In addition to the rights and duties specified elsewhere in this Agreement, upon the expiration, termination or transfer of this Agreement:

16.1 All money owed by you to us shall be immediately due and payable, and you shall remain obligated for any unpaid balance on any promissory note executed in our favor.

16.2 You shall remain obligated to pay us for all fees resulting from transactions originating before termination, even though such income may be received after termination of this Agreement.

16.3 The license granted under this Agreement to use the Proprietary Marks shall automatically terminate, and you shall immediately cease to identify yourself as a current or former Massage Green<sup>®</sup> Developer. You shall cease all use of the Proprietary Marks or any colorable imitation thereof. You shall also immediately withdraw or cancel any fictitious and trade name filings made by you which use the Proprietary Marks.

16.4 Unless specifically set forth otherwise, all rights granted to you under this Agreement shall immediately terminate. You shall cease using, and shall sell or transfer to another Massage Green<sup>®</sup> Developer or Franchisee, or deliver to us as directed by us, all equipment, product, supplies, signs, catalogs, advertising and other items pertaining to the Massage Green<sup>®</sup> System, the Proprietary Marks, and all copyrighted materials, including Massage Green<sup>®</sup> Operating Manuals.

16.5 You shall immediately cease using all email addresses, websites, telephone numbers, telephone listings or other identifications used formerly by you in connection with the business contemplated by this Agreement. You shall immediately transfer all such email addresses, websites, telephone numbers, telephone listings or other identifications to us (or any entity designated by us), and you shall promptly direct all providers to make such transfers or, if not possible, to disconnect or shut down the email addresses, websites, telephone numbers, telephone listings or other identifications completely.

16.6 You shall immediately cease to use our know-how in any business or otherwise and return to us all copies of the Operating Manuals which have been loaned to you by us.

16.7 You shall be deemed to have assigned, transferred and conveyed to us any rights, equities, goodwill or other rights in and to the Proprietary Marks which may have been obtained by you or which may have vested in you in pursuance of any endeavors covered by this Agreement, and you will execute any instruments requested by us to accomplish or confirm the foregoing. Any such assignment, transfer or conveyance shall be without consideration other than the mutual covenants and considerations of this Agreement. We are hereby irrevocably appointed as your attorney in fact to execute in your name and on your behalf all documents necessary to discontinue your use of the Proprietary Marks.

16.8 You acknowledge that your failure to cease the use of the Proprietary Marks or to remove the Proprietary Marks from your corporate name upon the termination of this Agreement will result in immediate and irremediable damage to us and to the rights of any subsequent licensee. You acknowledge and admit that there is no adequate remedy at law for such failure to cease use of the Proprietary Marks and agree that in the event of such failure we shall be entitled to equitable relief by way of temporary and permanent injunctions, without the requirement of a bond, requiring you to cease all direct and indirect use of the System and Proprietary Marks and to remove the Proprietary Marks from your corporate name. Resort to any remedies referred to in this Agreement shall not be construed as a waiver of any other rights or remedies to which we are entitled under this Agreement or otherwise.

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

**17 THE COMPANY’S OPTION TO PURCHASE YOUR RIGHTS**

17.1 **Option.** The Company will have the option to purchase all or your rights under this Agreement at any time after ten years from the effective date of this Agreement, under the terms and procedures described in Sections 17.2 and 17.3.

17.2 **Purchase Price.** The purchase price will be a multiple (“Multiple”) of the annual revenue you receive from us from your portion of the Royalty Fees from the Territory under Section 5.1(b) of this Agreement (“Royalty Revenue”), determined as described below (“Annual Royalty Revenue”). Your Annual Royalty Revenue will be determined by taking your Royalty Revenue for the full three calendar months preceding the exercise of our option and multiplying that amount by four. The Multiple will vary from 2.5 to 4 based on your performance under the Franchise Store Development Schedule at the time we exercise our option as follow:

<b>Percentage of Development Schedule Reached at the Time of Exercise of the Option</b>	<b>Multiple</b>
100%	2.50
110%	2.75
125%	3.00
150%	3.50
200% or more	4.00

As an example: If we exercise our option at a time when your development schedule requires that you have 10 Franchised Stores open, you in fact have 11 Franchised Stores open (110% of the development schedule), and your Royalty Revenue for the last three months is \$33,000; then the purchase price would be \$363,000  $[(\$33,000 \times 4) \times 2.75]$ . The purchase price will be reduced by any amounts due to the Company from you at the time of the purchase.

**17.3 Procedure.** The Company may elect to exercise its option to purchase all or your rights under this Agreement at any time after ten (10) years from the effective date of this Agreement by sending written notice of the election to you. The notice will include a calculation of the purchase price based on the formula in Section 17.2 and the date that the purchase will be effective (which will be no earlier than 10 days after the notice and no later than 30 days after the notice). On or before the effective date of the purchase, the Company will deliver to you a cashier's check or a wire transfer in the amount of the purchase price. Conditioned on your receipt of the purchase price, the purchase will be automatically effective as of the effective date specified in the notice. On that date, the Area Development Agreement will terminate, subject to the obligations of the parties that survive termination as described in Section 16 or elsewhere in this Agreement. Any Franchise Agreements between you and the Company will remain in full force and effect.

## **18 RELATIONSHIP OF THE PARTIES/INDEMNIFICATION**

**18.1** You acknowledge that you are an independent contractor and are not an agent, member, partner, joint venturer, affiliate or employee of the Company. 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 authorized by or conducted pursuant to this Agreement. The Company and you agree that no agency partnership, shareholder, membership, fiduciary relationship, joint venture or employment relationship, or any other relationship, exists, other than as expressly set forth in this Agreement. You shall conspicuously identify yourself in all dealings with the public as an entity separate from the Company. It is further agreed that you have no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever, except as expressly required by this Agreement. You agree that you will not hold yourself out as the agent, employee, partner or co-venturer of Company, except as expressly required by this Agreement. All employees hired by or working for you shall be the employees of you and shall not, for any purpose, be deemed employees of Company or subject to Company's control. You shall have the sole right and responsibility to hire and fire your employees and shall have the sole responsibility for training such employees (in addition to the training of the Manager by the Company) and insuring that such employees adhere to all applicable federal, state and local laws, rules, regulations and ordinances. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

18.2 **Name of Developer.** We hereby approve the name "Massage Green" Development of \_\_\_\_\_, [name of corporate entity, if applicable]" as the name of the entity formed to be the Developer under this Agreement. We consent to your non-exclusive use of the mark "Massage Green<sup>®</sup>" in the entity's name so long as the following phrase is added after your entity name: "An independent Area Developer for Massage Green International Franchise Corp."

18.3 **Indemnification.** You agree to indemnify and hold harmless us and each of our officers, directors, shareholders, employees and agents (each, an "Indemnified Party" and collectively, the "Indemnified Parties"), for, from and against any and all losses, claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees, incurred by the Indemnified Parties as a result of: (a) any claim by any third party asserted against any of the Indemnified Parties arising from your alleged performance and/or nonperformance of any of your obligations under this Agreement, and/or to the Franchisees in the Territory, including but not limited to claims of violations of applicable franchise laws, misrepresentation, improper disclosure, and failure to perform required services, or (b) any other claim arising from alleged violations of your relationship with and responsibility to us, or (c) any taxes or penalties assessed by any governmental entity against us as directly related to your failure to pay or perform functions required of you under this Agreement; provided, however, that the indemnification contained in this clause shall not apply to any claim by any third party that is determined by a final and non-appealable decision of a court of competent jurisdiction to be solely caused by any act or omission of ours.

The Indemnified Party(ies) shall notify you in writing of any such claim as soon as practicable after such Indemnified Party(ies) obtains knowledge of the assertion of any such claim. The Indemnified Parties shall have the sole right, in their sole discretion, (i) to retain their own counsel of their own choosing to represent them with respect to any such claim, and (ii) to control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate, at your own expense, in such defense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including reasonable attorneys' fees, within thirty (30) days of the date of each invoice delivered by such Indemnified Party(ies) to you enumerating such costs, expenses and attorneys' fees.

We agree to indemnify and hold harmless you and each of your officers, directors, shareholders, employees and agents (each a "Developer Indemnified Party" and collectively, the "Developer Indemnified Parties") for, from and against any and all losses, claims, actions, damages, liabilities, costs and expenses, including reasonable attorney's fees, incurred by the Developer Indemnified Party(ies) as a result of (x) any claim by any third party asserted against any of the Developer Indemnified Parties arising from our alleged violation of or failure to comply with federal and/or state franchising rules and regulations, or (y) any taxes or penalties assessed by any governmental entity against you as directly related to our failure to pay or perform as required by law; provided, however, that the indemnification contained in this clause not apply to any claims by any third party that is determined by a final non-appealable decision of a court of competent jurisdiction to be solely caused by any act or omission of yours.

The Developer Indemnified Party(ies) shall notify us in writing of any such claim as soon as practicable after such Developer Indemnified Party(ies) obtains knowledge of the assertion of any such claim. The Developer Indemnified Party(ies) shall have no right to retain their own counsel to represent them with respect to any such claim or to control the response thereto and the defense thereof, including no right to enter into an agreement to settle such claim. We agree to reimburse the Developer Indemnified Party(ies) for all of their costs and expenses in defending any such claim, including reasonable attorney's fees, within thirty (30) days of the date of each invoice delivered by such Developer Indemnified Party(ies) to us enumerating such costs, expenses and attorney's fees.

**18.4 Survival of Indemnities and Assumptions of Liabilities and Obligations.** The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration, termination or transfer of this Agreement.

## **19 ARBITRATION.**

**19.1 Arbitration of Disputes or Controversies, Injunctions and Limitation of Actions.** Except as otherwise provided in this Section, any controversy or dispute arising out of, or relating to the this Agreement or the relationship of you and the Company or any parent, subsidiary or affiliate of Company, including, but not limited to, any claim by you or any person in privity with or claiming through, on behalf of or in the right of you, concerning the entry into, performance under, breach of or termination or expiration of, this Agreement or any other agreement entered into by Company, or its parent, subsidiaries or affiliates, and you, any claim against a past or present employee, officer, director or agent of Company or its parent, subsidiaries or affiliates; and any related claims arising under State or Federal laws, shall be submitted to final and binding arbitration as the sole and exclusive remedy for any such controversy or dispute. Unless prohibited by applicable law, any claim shall be made by filing a written demand for arbitration within one (1) year following the conduct, act or other event or occurrence first giving rise to the claim; otherwise, the right to any remedy shall be deemed forever waived and lost. Persons in privity with or claiming through, on behalf of or in the right of you include but are not limited to, owners, shareholders, members of Developer and their spouses and other family members, heirs, executors, representatives, successors and assigns. Subject to this Section, the right and duty of the parties to this Agreement to resolve any disputes by arbitration shall be governed exclusively by the Federal Arbitration Act, as amended, and arbitration shall take place according to the then current commercial arbitration rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. The arbitration shall be held at the office of the American Arbitration Association located in Southfield, Michigan or, if that office relocated, to such relocated location. Notwithstanding the foregoing, you consent to allow Company to seek injunctive relief in any state or Federal Court in Michigan, or elsewhere, for any dispute which involves your improper usage of any of the Proprietary Marks or the System business concept or any issues related to disclosure or misuse of Trade Secrets or Confidential Information or alleged violations of Sections 9.8, 13.10 and 24.6 of this Agreement. The parties expressly consent, submit and waive any objections to personal

jurisdiction in State or Federal Courts in the State of Michigan and agree that such court(s) will have jurisdiction over any such issues not subject to arbitration.

19.2 The arbitrator shall be selected from a panel of neutral arbitrators provided by the American Arbitration Association and shall be chosen by the striking method. The parties each shall bear all of their own costs of arbitration; however, the fees of the arbitrator shall be divided equally between the parties. The arbitrator shall have no authority to amend or modify the terms of this Agreement. The award or decision by the arbitrator shall be final and binding on the parties and may be enforced by judgment or order of a court having subject matter jurisdiction in Michigan or elsewhere. The parties consent to the exercise of personal jurisdiction over them by such courts and to the propriety of venue of such courts for the purpose of carrying out this provision; and they waive any objections that they would otherwise have concerning such matters.

19.3 **Individual Arbitration.** Arbitration under this Agreement shall be on an individual basis only and the parties to arbitration under this Agreement shall not include, by class action, consolidation, joinder or in any other manner, any person other than the Developer and any person in privity with or claiming through, in the right of or on behalf of the Developer or the Company, unless all parties to the arbitration so consent in writing and at their sole discretion. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between the Company and the Developer or any person in privity with or claiming through, in the right of or on behalf of the Developer or the Company.

19.4 **Award.** The arbitration panel will not have the authority to award exemplary or punitive damages.

19.5 **Improper Forum.** In the event that any party files an action in any forum or jurisdiction in violation of this Section 19, that party shall pay the costs and fees, including attorneys' fees, of the other party in connection with any efforts to order the dispute to the proper forum or jurisdiction.

19.6 **Severability.** If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits a party's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the arbitration clause shall not be void. Only those portions of the arbitration clause with respect to such claim or claims as are necessary to comply with applicable law will be invalid and considered severable, but the remainder will be enforced.

## **20 CONSTRUCTION, INTEGRATION AND MISCELLANEOUS PROVISIONS**

20.1 **Modification.** This Agreement may only be modified or amended by a written document executed by the Company and you. You acknowledge that the Company may modify

its standards and specifications and operating and marketing techniques set forth in the Operations Manual unilaterally under any conditions and to the extent in which the Company, in its sole discretion, deems necessary to protect, promote, or improve the Proprietary Marks and the quality of the System.

**20.2 Entire Agreement; No Other Representations Made.** This Agreement, including all exhibits and addenda and the Franchise Agreements between the Company and you, contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof. You agree and understand that the Company shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation, fraudulent inducement, or silent fraud based on any such oral representation or commitments, or non-disclosure of any information, and that no modifications of this Agreement (except those specifically authorized herein) shall be effective except those in writing and signed by both parties. The Company does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and the Franchise Agreements between Company and you. Company also does not authorize and will not be bound by any disclosure or statement other than those expressed in this Agreement, the Franchise Agreements between Company and you, and the franchise disclosure document received by you. You acknowledge that you have not received any express or implied representations or warranties regarding the sales, earnings, income, profits, gross revenues, business or financial success, value of the Franchises, value of this business, or value of the Territory provided by the Company or its representatives or any other matters pertaining to the matters contemplated under this Agreement or the Franchise Agreements between Company and you from Company or any of its officers, employees or agents that were not contained in this Agreement, the Franchise Agreement between Company and you, or the franchise disclosure document received by you (hereinafter "Representations"). You further acknowledge that if you had received any such Representations, you would not have executed this Agreement, and you would have: (i) promptly notified the Company in writing of the person or persons making such Representations; and (ii) provided to Company a specific written statement detailing the Representations made. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by the Company in the Franchise Disclosure Document.

**20.3 Review of Agreement.** You acknowledge that you had a copy of this Agreement and Company's Franchise disclosure document in its possession for a period of time not less than fourteen (14) calendar days, or longer if required by applicable state law, during which time you have had the opportunity to submit the same to advisors, including attorneys, consultants and accountants regarding professional review and advice of your choosing prior to freely executing this Agreement. You acknowledge that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon you. You were advised by the Company to consult an attorney or other advisor prior to the execution of this Agreement, to review the Company's franchise disclosure document; to review this Agreement in detail; to review all other legal documents; to review the economics, operations and other business aspects of the System; to advise you about all federal, state and local laws, rules, ordinances, special regulations and statutes that may apply to your business hereunder; and to advise you about you economic risks, liabilities, obligations and rights under this Agreement.

20.4 **No Right to Set Off.** Developer shall not be allowed to set off amounts owed to Company for fees or other amounts due hereunder, against any monies owed to Developer by Company, which right of set off is hereby expressly waived by Developer. Company shall be allowed to set off amounts owed to Developer for its share of commissions, Royalty Fees, Franchise Fees or other amounts due hereunder, against any monies owed to Company by Developer.

20.5 **Delegation by the Company.** From time to time, the Company shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are third parties, agents of the Company or independent contractors which the Company has contracted with to provide such services. You agree in advance to any such delegation by the Company of any portion or all of its obligations and duties hereunder.

20.6 **Injunctive Relief.** Nothing herein shall prevent the Company from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies. If it is necessary for the Company to seek preliminary or permanent injunctive relief, the Company may do so without a bond.

20.7 **No Waiver.** No waiver, delay, forbearance or extension of any default, breach, condition or covenant contained in this Agreement, failure to insist on strict compliance therewith, custom or practice of the parties at variance therewith, or failure to exercise a right or remedy by the Company or you shall be considered to imply or constitute a further waiver by the Company or you of the same or any other condition, covenant, right, or remedy.

20.8 **Effective Date and Location of Contract.** This Agreement shall not be effective until the date accepted by the Company as evidenced by dating and signing by an officer of the Company (the "Effective Date") and the place of this Agreement shall be the State of Michigan.

20.9 **Severability.** Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future federal, state or local statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be modified to the extent necessary to make it valid or, if it cannot be so modified, then it shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

20.10 **Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.) or other federal law, this Agreement shall be interpreted under the laws of the State of Michigan, and any dispute between the parties



shall be governed by and determined in accordance with the substantive laws of the State of Michigan, which laws shall prevail in the event of any conflict of law.

20.11 **Notices.** Any notices of default under this Agreement shall be delivered by registered or certified first class U.S. mail, personally or by courier to the location listed below in this Section. Any other notice, request, demand, approval, consent or other communication which the parties hereto may be required or permitted to be give hereunder shall be in writing and may be given to the party for whom it is intended by personal delivery, email, facsimile transmission or delivering it to such party by mailing it by prepaid registered mail:

**In the case of Company to:**

MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
29657 Orchard Lake Road  
Farmington Hills, Michigan 48334  
Attention: President/CEO  
Email: [allie@massagegreen.com](mailto:allie@massagegreen.com)

with a copy to (which shall not constitute notice):

May, Simpson & Strote, P.C.  
100 W. Long Lake Road, Suite 200  
Bloomfield Hills, Michigan 48304  
Attention: John A. Forrest, Esq.  
Email: [jforrest@msspc.com](mailto:jforrest@msspc.com)

**In the case of the Developer to:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email [ \_\_\_\_\_ ]

Any such notice or other document delivered personally, by email or by facsimile transmission shall be deemed to have been received by and given to the addressee on the day of delivery. In the case of email notice, delivery shall not be deemed to have occurred if the sender receives any message indicating an error or other problem with delivery. In the case of a facsimile notice, delivery shall not be deemed to have occurred unless the sender receives notice of confirmation of delivery. Any such other notice or other document mailed as aforesaid, shall be deemed to have been received by and given to the addressee on the third (3rd) business day following the date of mailing. Any party may at any time give notice in writing to any other party of any change of address.

20.12 **Joint and Several Liability.** If Developer consists of more than one owner, member, principal or other person or entity, or a combination thereof, the agreements, obligations, promises and liabilities of Developer and each and every such person or entity to Company are joint and several in their individual capacities.

20.13 **Survival of Covenants.** The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

20.14 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Developer and its respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

20.15 **Titles for Convenience.** Article and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

20.16 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

20.17 **Gender.** All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

20.18 **Days.** Unless otherwise specifically set forth herein, the term “days” shall refer to calendar days.

20.19 **Approvals and Company’s Absolute Right to Withhold Approval or Consent.** Whenever this Agreement requires the prior approval or consent of the Company, you shall make a timely written request therefore and such approval must be obtained in writing. Except where this Agreement expressly obligates the Company to reasonably approve or consent to (or not to unreasonably withhold its approval of or consent to) any action or request by you, the Company has the absolute right for any reason to refuse any request by you or to withhold the Company’s approval of or consent to any action by you. The Company may also consider at its option and, in its sole discretion, other reasonable prior requests severally submitted in writing by you for the Company’s waiver of any obligation imposed by this Agreement. The Company makes no warranties or guarantees upon which you may rely, and assumes no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this agreement or by any neglect or delay in furnishing the same.

20.20 **Designated Agent.** Developer hereby designates [\_\_\_\_\_] to act in its behalf and execute all documents in all transactions with the Company. All actions by such designee shall be binding upon Developer and shall be valid and binding on any partnerships,

limited liability companies or corporations as if done by each and every partner, member, shareholder, officer or director. The Company shall have no duty to deal with anyone other than the designee; however, any documents submitted to the Company executed by any other officer or partner shall be valid and binding upon Developer. You shall promptly notify the Company in writing of any change in its designee.

**20.1 Ownership of Developer.** The name, entity classification, state of organization, owners and percentage of ownership of Developer are set forth on the Legal Entity Form attached as Exhibit E. Developer represents that the information stated in Exhibit E is accurate and complete. Developer agrees that it will immediately notify the Company (and comply with the provisions of Section 12 of this Agreement, if applicable) if there is any change in the information set forth in Exhibit E. Failure to comply with this requirement will be a material default under this Agreement.

## **21 APPROVAL AND GUARANTY BY SHAREHOLDERS, MEMBERS OR PARTNERS**

This Agreement shall not be enforceable by you until all of your shareholders or all of your members or partners sign this Agreement. Each of the undersigned agrees to the restrictions placed on him/her (including restrictions on the transfer of his/her interests in the corporation or partnership, obligations to protect the Proprietary Marks, and limitations on his/her ability to compete). Each of the undersigned shareholders, members or partners shall agree to provide us with a balance sheet and profit and loss statement by March 31 of each year. Furthermore, each of the undersigned does hereby jointly and severally guaranty the payment of any damages and related costs (i.e. reasonable attorney's fees, expenses and court costs) incurred by us resulting from any negligence, breach, misrepresentation(s) or fraud by you or your officers, directors, partners, employees, agents and representatives, in connection with the offer, solicitation or sale of Franchises and/or the training of or services to Franchisees and their respective employees, and any services performed for, or advice or statements to, Franchisees. We shall have all rights and remedies against each guarantor, with regard to violations of the foregoing restrictions, as we have against you, and we may proceed simultaneously against you and the guarantors. The guarantors waive all demands or notices required by law. This guaranty is irrevocable and assignable by us.

## **22 ANTI-TERRORISM COMPLIANCE**

You agree to comply with and/or assist us to the fullest extent possible in our efforts to comply with all Anti-Terrorism Laws. In connection with such compliance, you certify, represent and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you are not otherwise in violation of any of the Anti-Terrorism Laws. Any violation of the Anti-Terrorism Laws by you or your employees, or any blocking of your assets under the Anti-Terrorism Laws shall constitute a material default and grounds for immediate termination of this Agreement and any other agreements you have entered into with us or any of our affiliates in accordance with the termination provisions of this Agreement.

## 23 REPRESENTATIONS

NO SALESMAN, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE THE COMPANY TO THIS AGREEMENT EXCEPT THE CHIEF EXECUTIVE OFFICER OF THE COMPANY BY A WRITTEN DOCUMENT. NO REPRESENTATIONS, PROMISES, GUARANTIES OR WARRANTIES OF ANY KIND WERE MADE BY THE COMPANY OR ITS REPRESENTATIVES TO INDUCE THE EXECUTION OF, OR IN CONNECTION WITH, THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT. YOU UNDERSTAND THAT YOUR SUCCESS WILL BE DEPENDENT UPON YOUR OWN EFFORTS AND JUDGMENTS, AND THE SERVICES OF THOSE YOU EMPLOY.

## 24 RESTRICTIVE COVENANTS

Your activities under this Agreement will enable you to learn the details of the Massage Green<sup>®</sup> System and the names of prospective and actual Massage Green<sup>®</sup> Franchisees, and will enable you to develop a significant business relationship with the Franchisees in the Territory. You recognize that the failure to act in utmost good faith toward us during the term of this Agreement and after termination will cause us and the Massage Green<sup>®</sup> System extreme damage not calculable in money.

24.1 **In-Term Competition.** During the Term, you agree that neither you, nor any of your owners, partners, members or shareholders (nor any of their spouses or children) or Managers will:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, wherever located or operating; or

(b) perform services as a director, officer, manager, employee, consultant, representative, agent, owner (of 5% or more of the voting securities or membership interests) or otherwise, for a Competitive Business, wherever located or operating.

(c) **Competitive Business.** The term "Competitive Business" as used in this Agreement means: (i) any business operating, soliciting and/or granting franchises or licenses to operate, a business which operates, directly or indirectly, a retail service business deriving more than ten percent (10%) of its Gross Sales from massage therapy services and related products; and (ii) any business that acts as a master franchise, area franchise, an area developer, a master developer or any other business that assists in the solicitation and/or selling of franchises of any type.

24.2 **Post-Term Competition.** Upon termination or expiration, or the transfer, sale or assignment of this Agreement, neither you nor your Manager(s), partners, members, shareholders, or owners will have any direct or indirect interest (i.e. through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent, for three (3) years, in any Competitive Business, in or within fifty (50) miles of any part of the Territory or of any currently operating Massage Green store. If any person restricted by this provision refuses voluntarily to comply with the foregoing obligations,

the three (3) year period will commence with the entry of any order or judgment of a court or arbitrator enforcing this provision.

(a) You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities to exploit such skills. Consequently, enforcement of the covenants set forth above will not deprive you of the ability to earn a living.

**24.3 Anti-Piracy.** You agree that while this Agreement is in effect, and for a period of three (3) years after the termination of this Agreement, you will not: attempt to cause any Massage Green® Franchisee, master developer or area developer to terminate a franchise relationship; or employ or seek to employ any person employed by us, our affiliate(s) or a Franchisee, master developer or area developer without the prior written approval of us and the applicable Franchisee. These restrictions apply to each partner if you are a partnership; or if you are a corporation or limited liability company, these restrictions apply to each officer, director, member and shareholder. Each person bound by these restrictions is a signatory to this Agreement to signify his or her agreement to be so bound. We shall be entitled to injunctive relief, without the requirement of a bond, in any court of competent jurisdiction to enforce the terms of this Section and we shall not thereby be deemed to have elected our remedies.

**24.4 Reasonable Restrictions.** The parties have attempted in this Section 24 to limit your right to compete only to the extent necessary to protect the Company from unfair competition. It is the desire and intent of the parties to this Agreement, including your Managers, shareholders, partners or members, that the provisions of this Section 24 be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this section is adjudicated to be invalid or unenforceable, then this Section will be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Section and the particular jurisdiction in which such adjudication is made. Further, to the extent any provision of this Section 24 is deemed unenforceable by virtue of its scope or limitation, the parties to this Agreement, including you and your Managers, shareholders, partners or members, agree that the scope and limitation provisions will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

**24.5** The parties expressly agree that the time and geographical limitations contained in this section are reasonable and necessary to protect Company and its franchisees and area developers from unfair competition if this Agreement expires or is terminated for any reason.

**24.6 Confidentiality of Proprietary Information and Trade Secrets.** You shall treat the Operations Manual, non-public information about Franchisees and all non-public information you receive from us, our affiliates officers, directors, employees, partners, shareholders, agents, Franchisees, or other master developers or area developers, including information that is a part of the System licensed hereunder, as trade secrets and proprietary and confidential (“Confidential Information”) and will not use such Confidential Information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining the Company’s written consent. You acknowledge that the Confidential Information has valuable goodwill attached to

them, that the protection and maintenance thereof is essential to the Company and that any unauthorized use or disclosure of the Confidential Information will result in irreparable harm to the Company.

(a) You acknowledge that the Confidential Information are valuable assets of the Company and are disclosed to you on the condition that you and your owners, Managers and employees who have access to the Confidential Information, agree that during and after the Term of the applicable agreement they: (i) will not use the Confidential Information in any other business or capacity or disclose the Confidential Information to any third party unless specifically authorized by Company; (ii) will maintain the absolute confidentiality of the Confidential Information; (iii) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; and (iv) will adopt and implement all reasonable procedures the Company periodically requires in its sole discretion to prevent unauthorized use or disclosure of the Confidential Information, including requiring employees (including, without limitation, all Managers) and owners who have access to the Confidential Information to execute confidentiality and noncompetition agreements as the Company may require periodically, and provide the Company, at the Company's request, with signed copies of each of those agreements.

(b) The restrictions on the disclosure and use of the Confidential Information will not apply to the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose the information, if you have notified the Company before disclosure and used your best efforts, and afforded the Company the opportunity to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed.

(c) You must disclose to the Company all ideas, concepts, methods, techniques and products concerning the development and operation of Franchised Stores you or your Managers or employees conceive or develop during the Term of this Agreement. Company shall own the rights to all such ideas, concepts, methods, techniques and products, regardless of the source and you must grant to the Company and agree to procure from your affiliates, owners or employees a perpetual, exclusive and worldwide right to use such ideas, concepts, methods, techniques and products concerning the sales, promotion development and operation of Franchised Stores that you or your employees conceive or develop during the Term in all businesses the Company operates. The Company will have no obligation to make any lump sum or on-going payments to you with respect to any such idea, concept, method, technique or product. You must agree that you will not use nor will you allow any other person or entity to use any such concept, method, technique or product without obtaining Company's prior written approval.

(d) Developer acknowledges and agrees that the Company owns all business records ("Business Records") with respect to Franchisees, prospective Franchisees, applicants, suppliers, employees, and other service professionals of, and/or related to, your business including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, and all other records contained in the database, and all other Business Records created and maintained by Developer. Developer

further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, we may access such Business Records, and may utilize, transfer, or analyze such Business Records as we determine to be in the best interest of the Massage Green franchise System, in our sole discretion.

24.7 The Company reserves the right to require that you cause each of your officers, directors, partners, shareholders, members and Manager, and, if you are an individual, immediate family members, to execute a nondisclosure and noncompetition agreement containing the above restrictions, in a form approved by the Company.

## 25 ACKNOWLEDGEMENTS

25.1 BEFORE SIGNING THIS AGREEMENT, THE DEVELOPER SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF ADVISORS OF HIS OR HER CHOICE, INCLUDING ATTORNEYS, ACCOUNTANTS OR CONSULTANTS. YOU ACKNOWLEDGE THAT:

(a) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON MANY FACTORS INCLUDING, WITHOUT LIMITATION, GENERAL AND LOCAL BUSINESS CONDITIONS, PUBLIC DEMAND, AND THE DEVELOPER'S, MANAGER'S AND THE OPERATING PRINCIPALS' ABILITIES AS INDEPENDENT BUSINESS PEOPLE AND THEIR ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS AND TIME DEVOTED TO THE MANAGEMENT AND OPERATION OF THE BUSINESS, AND

(b) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(c) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT IS BINDING ON THE COMPANY IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

(d) DEVELOPER ACKNOWLEDGES THAT IT HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE MASSAGE GREEN SYSTEM AND BUSINESS AND COMPANY EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

**IN WITNESS WHEREOF**, the parties to this Agreement have signed this Agreement as of the date first written below.

**MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.,**  
a Michigan corporation

Dated \_\_\_\_\_

By \_\_\_\_\_  
Title \_\_\_\_\_

**DEVELOPER**

\_\_\_\_\_  
(Individual, Partnership or Corporate Name)

Dated \_\_\_\_\_

By \_\_\_\_\_  
Title \_\_\_\_\_

Dated \_\_\_\_\_

By \_\_\_\_\_  
Title \_\_\_\_\_

Dated \_\_\_\_\_

By \_\_\_\_\_  
Title \_\_\_\_\_

\_\_\_\_\_  
Signature of Individual

\_\_\_\_\_  
Name (Typed or Printed)

\_\_\_\_\_  
Signature of Individual

\_\_\_\_\_  
Name (Typed or Printed)

\_\_\_\_\_  
Signature of Individual

\_\_\_\_\_  
Name (Typed or Printed)



**EXHIBIT A**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT  
TERRITORY**

COUNTY(IES) OF:

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WITHIN THE STATE(S) OF:

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**EXHIBIT B**

**MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT  
FRANCHISE STORE DEVELOPMENT SCHEDULE**

<b>Time Period Ending</b>	<b>Cumulative Number of Franchises that must be Open and Operating in the Territory</b>

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

## EXHIBIT D

### GUARANTY AND ASSUMPTION OF AREA DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the Area Development Agreement executed between \_\_\_\_\_ (“Developer”) and Massage Green International Franchise Corp. (“Company”) on \_\_\_\_\_, \_\_\_\_\_ (the “Agreement”) by the Company, each of the undersigned hereby personally and unconditionally:

- Guarantees to the Company, and its parent, subsidiaries and its affiliates, and their successors and assigns that Developer shall punctually and fully pay and/or perform each and every undertaking, obligation, agreement and covenant set forth in the Agreement; and
- Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including but not limited to the terms of Section 24, and for any damages and related costs incurred by Company resulting from any negligence, breach, misrepresentation(s) or fraud by Developer or its officers, directors, partners, employees or agents and representatives in connection with the sale of Franchises, the training of Franchisees or their respective employees or any services performed for or advice or statements to Franchisees.

Each of the undersigned waives the following:

1. Acceptance and notice of acceptance by the Company of the foregoing undertaking;
2. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
4. Any right he or she may have to require that any action be brought against Developer or any other person as a condition of liability; and
5. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each of the undersigned consents and agrees that:

1. His or her direct and immediate liability under this guaranty shall be joint and several;
2. He or she shall render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so;

3. Such liability shall not be contingent or conditioned upon pursuit by the Company of any remedies against Developer or any other person; and
4. Such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which the Company may from time to time grant to Developer or to any other person including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the Term, including renewals thereof.

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

**WITNESS**

**GUARANTOR(S)**

\_\_\_\_\_  
Dated:

\_\_\_\_\_

\_\_\_\_\_  
Dated:

\_\_\_\_\_

\_\_\_\_\_  
Dated:

\_\_\_\_\_

\_\_\_\_\_  
Dated:

\_\_\_\_\_

**EXHIBIT E**

**LEGAL ENTITY FORM**

EACH OF THE UNDERSIGNED REPRESENT THAT EACH AND EVERY OWNER OF DEVELOPER IS IDENTIFIED BELOW AND THAT THE INFORMATION PROVIDED BELOW IS CORRECT AND TRUE:

1. LEGAL NAME: \_\_\_\_\_

TYPE OF ENTITY (sole proprietorship, corporation, partnership, limited liability company):

STATE OF ORGANIZATION OF ENTITY: \_\_\_\_\_

d/b/a (if applicable): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

BUSINESS TELEPHONE: \_\_\_\_\_

FEDERAL EMPLOYER IDENTIFICATION NUMBER: \_\_\_\_\_

2. NAME, HOME ADDRESS/PHONE, TITLE, % OWNERSHIP

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Title \_\_\_\_\_ % Ownership \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_  
Title \_\_\_\_\_ % Ownership \_\_\_\_\_  
Social Security Number \_\_\_\_\_

3. ALL OWNERS MUST SIGN:

_____	Dated: _____
_____	Dated: _____
_____	Dated: _____
_____	Dated: _____

## FRANCHISE DISCLOSURE DOCUMENT

### EXHIBIT D

#### LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>FLORIDA</b>	Department of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0800 (904) 922-2770	Same
<b>CALIFORNIA</b>	California Corporations Commissioner California Department of Corporations 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677	California Corporations Commissioner California Department of Corporations 1515 K Street, Suite 200 Sacramento, CA 95814-4052 (916) 445-7205
<b>ILLINOIS</b>	Illinois Office of Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465	Illinois Office of Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465
<b>INDIANA</b>	Indiana Secretary of State Securities Division 302 West Washington Street Room E-111 Indianapolis, IN 46204 (317) 232-6681	Same
<b>MARYLAND</b>	Office of Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 (410) 576-7042	Same
<b>MICHIGAN</b>	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	The Corporation Company 30600 Telegraph Road, Ste 2345 Bingham Farms, Michigan 48025  Michigan Department of Commerce Corporations and Securities Bureau 670 Law Building Lansing, MI 48913
<b>MINNESOTA</b>	Commissioner Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-4026	Same



STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
<b>NEVADA</b>	Office of the Attorney General Nevada Department of Justice Carson City Office 100 North Carson Street Carson City, Nevada 89701-4717 (775) 684-1100; Fax - (775) 684-1108	Same
<b>NEW YORK</b>	New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211	Secretary of State of the State of New York 41 State Street Albany, New York 12231
<b>NORTH DAKOTA</b>	Securities Department 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 (701) 328-2910	Same
<b>OREGON</b>	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (501) 378-4387	Director Department of Insurance and Finance 21 Labor and Industries Building Salem, Oregon 97310
<b>RHODE ISLAND</b>	Superintendent of Securities Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode island 02903 (401) 277-3048	Director of Department of Business Regulation Suite 232 233 Richmond Street Providence, Rhode Island 02903-4232
<b>SOUTH DAKOTA</b>	South Dakota Division of Securities 445 E. Capitol Ave. Pierre, South Dakota 57501 (605) 773-4823	Same
<b>TEXAS</b>	Attorney General's Office Consumer Protection Division P.O. Box 12548 Austin, TX 78711 (512) 463-2070	Same
<b>VIRGINIA</b>	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, Virginia 23219 (804) 371-9051	Same
<b>WASHINGTON</b>	Department of Financial Institutions General Administration Building Securities Division - 3rd Floor West 210 11th Street, S.W. Olympia, Washington 98504 (360) 902-8760	Same
<b>WISCONSIN</b>	Department of Financial Institutions Division of Securities 4 <sup>th</sup> Floor 345 W. Washington Avenue Madison, Wisconsin 53703 (608) 266-1064	Same

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT E**

**CONFIDENTIAL OPERATIONS MANUAL TABLE OF CONTENTS**



# OPERATIONS MANUAL

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**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT F**

**LIST OF MASSAGE GREEN STORES AND AREA DEVELOPERS**

**LIST OF MASSAGE GREEN STORES**

<b>Owner</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>	<b>Affiliate Owned</b>	<b>Not Open</b>
<b>CALIFORNIA</b>							
MG Carlsbad, LLC (Allie Mallad)	2584 El Camino Real	Carlsbad	CA	92008	760-730-3332	X	
MG Chino Hills, LLC (Allie Mallad)	3560 Grand Ave.	Chino Hills	CA	91709	909-627-8899	X	
MG Corona, LLC (Jim Brown)	1312 E. Ontario Ave.	Corona	CA	92881	951-371-7918		
Kim Brownlee-Barth and Scot Barth		Fontana	CA		626-450-5502		X
Frank Spencer		Moore Park	CA		800-503-9751		X
Joe Gornall and Sandy Miller		Palm Desert	CA		805-722-2937		X
Joe Gornall and Sandy Miller		Palm Springs	CA		805-722-2937		X
Kim Brownlee-Barth and Scot Barth		Redlands	CA		626-450-5502		X
MG Alta Loma, LLC (Robert Vergura)	8710 19 <sup>th</sup> Street, #100	Rancho Cucamonga	CA	91701	951-858-3110		
MG Riverside, LLC (Allie Mallad)	7001 Indiana Ave.	Riverside	CA	92506	951-686-1111	X	
MG Orangecrest, LLC (Allie Mallad)	19510 Van Buren Blvd.	Riverside	CA	92508	951-697-7777	X	
MG Scripps Ranch, LLC (Robert Iafrate)	10755 Scripps Poway Parkway	San Diego	CA	92131	858-832-1470		
MG Santa Barbara, LLC (Joe Gornall)	2026 Cliff Drive	Santa Barbara	CA	93109	805-722-2937		
MG Temecula, LLC (Allie Mallad)	40665 Winchester Rd., Suite B-103	Temecula	CA	92591	951-296-2177	X	
MG Temecula Two, LLC (Allie Mallad)	31940 Temecula Pkwy., Suite B-4	Temecula	CA	92592	951-303-8887	X	
MG Upland, LLC (Kim Brownlee-Barth)	2440 W. Arrow Route	Upland	CA	91786	626-450-5502		X
<b>FLORIDA</b>							
MG Jacksonville, LLC (Darlene Marshall)	10601 San Jose Blvd., Ste. 212	Jacksonville	FL	32257	904-880-0050		
Personal Wellness, LLC (Trudy Mullins)		Jacksonville	FL		904-514-9135		X

Owner	Address	City	State	Zip	Phone	Affiliate Owned	Not Open
<b>ILLINOIS</b>							
MG Naperville, LLC (Allie Mallad)	8 W. Gartner	Naperville	IL	60540	630-548-5690	X	
<b>MICHIGAN</b>							
MG Allen Park, LLC (Allie Mallad)	23023 Outer Drive	Allen Park	MI	48101	313-436-1755	X	
MG Birmingham, LLC (Allie Mallad)	34200 Woodward Ave.	Birmingham	MI	48009	248-723-9090	X	
MG Brighton, LLC (Allie Mallad)	8377 W. Grand River	Brighton	MI	48116		X	
MG Canton, LLC (Allie Mallad)	42073 Ford Rd.	Canton	MI	48187	734-335-6958	X	
MG Clarkston, LLC (Allie Mallad)	6681 Dixie Hwy.	Clarkston	MI	48346	248-795-2752	X	
MG Dearborn, LLC (Allie Mallad)	23624 Michigan Ave.	Dearborn	MI	48124	313-278-2200	X	
MG Farmington Hills, LLC (Allie Mallad)	29657 Orchard Lake Rd.	Farmington Hills	MI	48334	248-538-1000	X	
MG Kalamazoo, LLC (Mohammed Janny)	4412 Stadium Drive	Kalamazoo	MI	49008	248-544-1400		
MG Livonia, LLC (Jamal Saad)	29466 W. Seven Mile	Livonia	MI	48152	248-987-7334		
MG Northville, LLC (Allie Mallad)	130 Main Centre	Northville	MI	48167	248-924-3642	X	
MG Northville Township (Allie Mallad)	20540 Haggerty Rd.	Northville Twp.	MI	48167	734-956-6567	X	
MG Novi, LLC (Allie Mallad)	47460 Grand River Ave.	Novi	MI	48374	248-305-9295	X	
MG Rochester Hills, LLC (Allie Mallad)	2579 S. Rochester Road	Rochester Hills	MI	48307	248-853-7000	X	
MG Rochester Hills Two, LLC (Allie Mallad)	6842 Rochester Rd.	Rochester Hills	MI	48306	248-266-6247	X	
MG St. Clair Shores, LLC (January Thomas)	21920 Greater Mack	St. Clair Shores	MI	48080	586-777-7030		
MG Troy, LLC (Allie Mallad)	445 E. Big Beaver Rd.	Troy	MI	48083	248-817-2489	X	
MG Utica, LLC (Allie Mallad)	13315 Schoenherr	Utica	MI	48315	586-739-5968	X	
<b>TEXAS</b>							
MG South-End Operations, LLC (Jim Maher)	4300 Legacy Drive	Frisco	TX	75034	972-668-7677		
Jim Maher		Los Colinas	TX		248-737-8686		X
MG Texas, LLC (Jim Maher)		Plano	TX		248-737-8686		



**LIST OF AREA DEVELOPERS**

<b>Owner</b>	<b>Development Territory</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip</b>	<b>Phone</b>
<b>CALIFORNIA</b>						
Ernie Ramirez	Orange County	12188 Central Ave., Ste. 269	Chino	CA	91710	949-246-2923
Jim Brown	Los Angeles County	1385 Old Temescal Road	Corona	CA	92881	951-545-1087
Fouad Berry	Contra Costa, Alameda & Santa Clara Counties	25879 Timber Trail	Dearborn Heights	MI	48127	925-382-4750
Sandy Miller and Joe Gornall	Santa Barbara County	33 Long Bay Drive	Newport Beach	CA	92660	805-722-2937
LACMG, Inc. (Jim Brown)	Los Angeles County	P.O. Box 7758	Riverside	CA	92513	951-545-1087
MGVC, Inc. (Frank Spencer)	Ventura County	2215 James Alan Circle	Chatsworth	CA	81311	800-503-9751
<b>TEXAS</b>						
MG Texas, LLC (Jim Maher)	Dallas-Fort Worth Area	30101 Northwestern Hwy., Suite 120	Farmington Hills	MI	48346	248-737-8686

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT G**

**LIST OF FRANCHISEES THAT RECENTLY LEFT THE SYSTEM**

**LIST OF FRANCHISEES THAT RECENTLY LEFT THE SYSTEM**

The following are the names and last known addresses and telephone numbers of every franchisee who has had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the calendar year 2012 or who have not communicated with us within 10 weeks of our application date (or the date of this Disclosure Document, if this Disclosure Document is not for use in a state requiring registration of franchises).

NONE

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT H**

**FINANCIAL STATEMENTS**

SOME OF THE FOLLOWING FINANCIAL STATEMENTS  
MAY PREPARED WITHOUT AN AUDIT. PROSPECTIVE  
FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE  
ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS  
AUDITED THE FIGURES OR EXPRESSED AN OPINION WITH  
REGARD TO THE CONTENT OR FORM OF FINANCIAL  
STATEMENTS PREPARED WITHOUT AN AUDIT.

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP**

**(A MICHIGAN S-CORPORATION)**

**FINANCIAL STATEMENTS**  
**(Audited)**

**FOR THE YEARS ENDED**  
**DECEMBER 31, 2012, 2011 and 2010**

## CONTENTS

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**ABRAHAM & ASSOCIATES, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**2615 W. TWELVE MILE ROAD, STE 115**  
**BERKLEY, MI 48072**  
**(248) 246-1075**  
**FAX (248) 246-1073**  
**EMAIL:CPABRAHAM@ATT.NET**

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May 14, 2013

To the Board of Directors  
Massage Green International Franchise Corp.

We have audited the accompanying Statement of Assets, Liabilities and Stockholders' Equity of Massage Green International Franchise Corp. as of December 31, 2012, 2011 and 2010 and the related Statements of Operations and Cash Flows for the year ended December 31, 2012, 2011 and 2010. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and stockholders' equity of Massage Green International Franchise Corp. as of December 31, 2012, 2011 and 2010 and its statements of operations and cash flows for the year ended December 31, 2012, 2011 and 2010 on the basis of accounting described in Note 1.

Respectfully submitted,

*Abraham & Associates, P.C.*

Abraham & Associates, P.C.



**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP**

**STATEMENT OF ASSETS, LIABILITIES, AND SHAREHOLDER'S EQUITY**

**As at December 31, 2012, 2011 and 2010  
(READ ACCOUNTANTS' AUDIT REPORT)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Checking/Savings	\$ 144,718	\$ 150,000	\$ 9,023
Accounts Receivable and Area and Franchise Fees Due	13,412	-	-
Area Development and Franchise Fees Due	275,000	-	-
<b>Total Current Assets</b>	<u>433,130</u>	<u>150,000</u>	<u>9,023</u>
<b>Other Assets</b>			
Accounts Receivable - Franchise Fees	-	115,389	115,389
<b>Total Other Assets</b>	<u>-</u>	<u>115,389</u>	<u>115,389</u>
<b>Intangible Assets</b>			
Organizational & Franchise Establishment Costs	31,068	31,068	31,068
Accumulated Amortization	(24,340)	(18,126)	(11,912)
<b>Total Intangible Assets</b>	<u>6,728</u>	<u>12,942</u>	<u>19,156</u>
<b>TOTAL ASSETS</b>	<u>\$ 439,858</u>	<u>\$ 278,331</u>	<u>\$ 143,568</u>
<b><u>LIABILITIES</u></b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Loan Payable	\$ 42,000	\$ -	\$ -
<b>Total Current Liabilities</b>	<u>42,000</u>	<u>-</u>	<u>-</u>
<b>Long Term Liabilities</b>			
Deferred Franchise and Area Development Fee Income	275,000	-	-
<b>Total Long Term Liabilities</b>	<u>275,000</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>317,000</u>	<u>-</u>	<u>-</u>
<b><u>STOCKHOLDERS EQUITY</u></b>			
Common Stock	5,000	5,000	5,000
Retained Earnings - Beginning	273,331	138,568	177,390
Net Income (Loss)	500,514	(11,214)	(9,969)
Capital Contributions (Withdrawals)	(655,987)	145,977	(28,853)
Retained Earnings - Ending	117,858	273,331	138,568
<b>Total Stockholders Equity</b>	<u>122,858</u>	<u>278,331</u>	<u>143,568</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	<u>\$ 439,858</u>	<u>\$ 278,331</u>	<u>\$ 143,568</u>

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP**

**STATEMENT OF OPERATIONS**

For the years ended December 31, 2012, 2011 and 2010

(READ ACCOUNTANTS' AUDIT REPORT)

<b>Ordinary Income/Expense</b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Revenue</b>			
Franchise and Area Rights Fee Income	\$ 648,423	\$ -	\$ 686
Royalties	26,710	-	-
Miscellaneous Income	14,517	-	-
<b>Total Revenue</b>	<u>689,650</u>	<u>-</u>	<u>686</u>
 <b>Operating Expenses:</b>			
Advertising	38,641	-	-
Amortization Expense	6,214	6,214	6,214
Bank Service Charge	1,060	-	286
Automobile Expense	1,799	-	-
Computer & Internet Expenses	3,850	-	-
Insurance	738	-	-
Legal Expense	18,306	-	-
License Fees	-	25	1,065
Office Expense	3,343	-	-
Payroll Expense	97,715	-	-
Professional Fees	2,400	4,975	3,090
Repairs and Maintenance	329	-	-
Telephone	845	-	-
Travel & Entertainment	10,234	-	-
Travel & Entertainment - Meals	3,662	-	-
<b>Total Expense</b>	<u>189,136</u>	<u>11,214</u>	<u>10,655</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 500,514</u>	<u>\$ (11,214)</u>	<u>\$ (9,969)</u>

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP**

**STATEMENT OF CASH FLOWS**

**For the years ended December 31, 2012, 2011 and 2010**

**(READ ACCOUNTANTS' AUDIT REPORT)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities:</b>			
Net Income (Loss)	\$500,514	(\$11,214)	(\$9,969)
Non-Cash Item Included in Net Loss:			
Depreciation and Amortization	6,214	6,214	6,214
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>506,728</u>	<u>(5,000)</u>	<u>(3,755)</u>
<b>Cash Flows from Investing Activities:</b>			
Area Development and Franchise Fees Due	<u>(173,023)</u>	-	<u>33,603</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(173,023)</u>	<u>-</u>	<u>33,603</u>
<b>Cash Flows from Financing Activities:</b>			
Loan Payable	42,000	-	-
Capital Withdrawals from Shareholders	(655,987)	16,432	(28,853)
Deferred Area and Franchise Fees	275,000	-	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(338,987)</u>	<u>16,432</u>	<u>(28,853)</u>
<b>Net Increase in Cash</b>	(5,282)	11,432	995
<b>Cash at Beginning of Fiscal Year</b>	<u>150,000</u>	<u>138,568</u>	<u>8,028</u>
<b>CASH AT END OF FISCAL YEAR</b>	<u><u>\$144,718</u></u>	<u><u>\$150,000</u></u>	<u><u>\$9,023</u></u>

## **Massage Green International Franchise Corp.**

### **NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2012, 2011 and 2010

#### **NOTE 1 – ORGANIZATION/ACCOUNTING POLICIES:**

Nature of Operations – Massage Green International Franchise Corp. was incorporated November 12, 2008 in the State of Michigan and commenced operations on January 2, 2009. The Company's operations consist of franchising and marketing of green massage facilities through franchisees. The company is marketing throughout the United States through both additional Company owned and franchised locations.

#### **Significant Account Policies**

Basis of Accounting – The accompanying financial statements have been prepared on the basis of accounting as prescribed by generally accepted accounting principals of the United States of America (GAAP).

Property and Equipment – Property and equipment is recorded at cost. The Company uses accelerated methods in computing depreciation and amortization for income tax purposes. The estimated useful live is as follows:

Furniture and fixtures	7 years
Equipment	7 years
Leasehold improvements	39 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to income as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal.

Organization and Franchise Costs – Organization costs represent legal cost being accumulated in the development of Company's franchise model. These costs will be amortized over 10 years for income tax purposes.

Cash Equivalents - The Company considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Cash balances – The Company may maintain bank accounts at various financial institutions with balances in excess of FDIC (Federal Deposit Insurance Corporation) insurable levels of \$250,000.

Income Taxes - The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S - Corporation. In lieu of federal corporation income taxes, the shareholders' of an S – Corporation are taxed on their proportionate share of the Company's taxable income. The State of Michigan also has no provisions for the taxing of corporations. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Use of Estimates – Generally accepted accounting principles require management to make assumptions in estimates that affect the amount reported in these financial statements for assets, liabilities, revenues and expenses. In addition, assumptions and estimates are used to determine disclosure for contingencies, commitments and other matters discussed in the notes to the financial statements. Actual results may differ from those estimates.

## **Massage Green International Franchise Corp.**

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012, 2011 and 2010

#### NOTE 2 – Loans receivable – related parties

The loans receivable –related parties are with entities related through common ownership, and are payable at the Company’s discretion, unsecured and bears interest at the prime rate of 4.00% annually.

#### NOTE 3 – OTHER ASSETS:

Summary of other assets at December 31, 2012 is as follows:

Organization Costs	\$ 2,260
Franchise Name	<u>28,808</u>
	31,068
Less accumulated depreciation	<u>( 24,340)</u>
Total other assets	<u>\$ 6,728</u>

Organization costs represent legal cost being accumulated in the development of Company’s franchise model. Organization costs, goodwill and franchise name are costs that are amortized over 10 years.

#### NOTE 4 – Area development and franchise fees due

Area Development and Franchise Fees due are receivable on a payment schedule per agreement, the notes receivable bear interest at the rate of 6.00% annually.

#### NOTE 5 –Deferred Area Development and Franchise Fee Income

The company has Deferred Area Development income and is recognized as earned when received.

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT I**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
DISCLOSURE ACKNOWLEDGMENT STATEMENT**

**MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
DISCLOSURE ACKNOWLEDGMENT STATEMENT**

MESSAGE GREEN INTERNATIONAL FRANCHISE CORP. (“We” or “Us”), through the use of this document, desires to ascertain that the undersigned (“You”) fully understands and comprehends that the purchase of a Massage Green franchise or rights as an Area Developer is a business decision, complete with its associated risks, and that it is the company policy of Us to verify that You are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Us.

1. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including general and local business conditions, public tastes, your, your Manager’s and operating principals’ abilities as independent business people, their active participation in the daily affairs of the business and time devoted to the management and operation of the franchise or area development business, competition, interest rates, the economy, inflation, local conditions, geography, Franchised Store location, territory of area development, operation costs, lease terms and costs and the market place. You hereby acknowledge your willingness to undertake these business risks.

2. You acknowledge receipt of our Uniform Franchise Offering Circular and Exhibits (the “Offering Circular”). You acknowledge that it has had the opportunity to personally and carefully review these documents. Furthermore, You have been advised to seek professional assistance, to have professionals review the documents and to consult with You regarding the risks associated with the purchase of the franchise or area development rights.

3. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances, warranties, guarantees or promises made by Us or any of our officers, employees or agents (including any franchise broker) as to the likelihood of success of the franchise or area development rights. Except as contained in the Offering Circular, You acknowledge that you have not received any information from Us or any of our officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, profits or earnings. If You believe that You have received any information concerning actual, average, projected or forecasted sales profits or earnings other than those contained in the Offering Circular, please describe these in the space provided below or write “None.”

\_\_\_\_\_  
\_\_\_\_\_

PROSPECTIVE FRANCHISEE or AREA  
DEVELOPER:

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

Print Name: \_\_\_\_\_

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

Its: \_\_\_\_\_

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

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT J**

**STATE SPECIFIC DISCLOSURES AND ADDENDA**



**ADDITIONAL STATE-SPECIFIC DISCLOSURES FOR THE  
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF  
MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.**

**The following are additional disclosures for the Franchise Disclosure Document of Massage Green International Franchise Corp. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.**

**CALIFORNIA**

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

2. IN ADDITION TO THE INFORMATION SET FORTH IN ITEM 3 OF THE OFFERING CIRCULAR, NEITHER THE FRANCHISOR NOR ANY PERSON OR FRANCHISE BROKER LISTED IN ITEM 2 OF THE OFFERING CIRCULAR 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 USCA 78(a), ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE.

3. THE FOLLOWING PARAGRAPHS ARE AN ADDITION TO THE DISCLOSURE CONTAINED IN ITEM 17 OF THE OFFERING CIRCULAR.

(a) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(b) The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. That provision may not be enforceable under California law.

(c) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 USCA Sec. 101, et seq.).

(d) The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

(e) The Franchise Agreement requires binding arbitration. The arbitration will occur in the office of the American Arbitration Association (“AAA”) in Southfield, Michigan, with the costs being borne equally by each parties and the fees of the arbitrator divided equally between the parties. 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.

(f) The Franchise Agreement and Area Development Agreement require application of the laws of Michigan. This provision may not be enforceable under California law.

(g) You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

(h) Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

The URL address for the Massage Green International Franchise Corp. Website is [www.massagegreen.com](http://www.massagegreen.com). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT [www.corp.ca.gov](http://www.corp.ca.gov).

## **HAWAII**

1. The following is in addition to the disclosure in Item 8 of the Franchise Disclosure Document:

The requirement for you to purchase products from us or some other entity as we designate in writing, may be unlawful under Hawaii Law. If, and to the extent, that requirement is found to be unlawful, that requirement will be void (to the extent unlawful) and you must purchase those products from approved suppliers.

2. The following paragraph is added:

This proposed registration is not effective/exempt from registration in any states at this time. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises.

## **ILLINOIS**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

The Franchise Agreement and Area Development Agreement, as amended for the State of Illinois, provide that:

(a) If any provisions concerning renewal are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then Illinois law will apply.

(b) If any provisions concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then Illinois law will apply.

(c) Any provision in the Agreement specifying the application of the laws of a state other than Illinois is void with respect to franchises subject to Illinois law.

(d) Any provision of the Agreement specifying a state other than Illinois as the forum for litigation is void with respect to any cause of action that is otherwise enforceable in the State of Illinois.

(e) No condition, stipulation, or provision of the Agreement requiring you to waive compliance with any provision of the Illinois Franchise Disclosure Act will be valid and enforceable.

## **INDIANA**

**1. REGISTRATION OF THIS FRANCHISE IN THE STATE OF INDIANA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER.**

2. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

The release that you must sign as a condition to renewal or transfer excepts claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7.

The Franchise Agreement and Area Development Agreement for use in the State of Indiana specify that the Agreement and the construction of the Agreement will be governed by the laws of the State of Michigan except for the applicability of the Federal Arbitration Act and except that the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable.

## **MARYLAND**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

**ANY RELEASE CONTAINED IN THE FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT OR ANY OTHER AGREEMENT REQUIRED AS A CONDITION OF THE SALE. RENEWAL OR TRANSFER OF THE FRANCHISE WILL NOT APPLY TO ANY LIABILITY UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.**

**THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT SPECIFY THE APPLICATION OF MICHIGAN LAWS AND MICHIGAN VENUE FOR**

**ARBITRATION AND LITIGATION, HOWEVER, YOU MAY BRING AN ACTION UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW IN ARBITRATION OR, AS APPLICABLE, ANY COURT OF COMPETENT JURISDICTION IN MARYLAND.**

**ANY CLAIM ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW MUST BE BROUGHT WITHIN THREE YEARS AFTER THE GRANT OF THE FRANCHISE.**

## **MINNESOTA**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

Minn. Stat. § 80C.21 and Minnesota Rule Part 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this offering circular or agreement can abrogate or reduce any of your rights as provided 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, Massage Green International Franchise Corp. will comply with Minn. Stat. § 80C.14, Subds. 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

Pursuant to Minn. Rule 2860.4400D, other than with respect to the voluntary settlement of disputes between us, no general release of claims requested by us from you or any transferor will include such claims you or a transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.

## **NEW YORK**

1. **REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THE OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.**

2. Litigation. The following is in addition to the disclosure in Item 3 of the Franchise Disclosure Document:

Except for any actions disclosed in the body of the Offering Circular, neither the franchisor, a predecessor, a parent or affiliate that induces franchise sales by promising to back the franchisor financially or otherwise guarantees the franchisor's performance, an affiliate who offers franchises under the Franchisor's principal trademarks, nor any person identified in Item 2 of the Franchise Disclosure Document:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations; or any pending action, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. Bankruptcy. The following is in addition to the disclosure in Item 4 of the Franchise Disclosure Document:

Except as disclosed in the body of the Offering Circular, neither Franchisor, and parent, predecessor, affiliate, officer, or general partner of the franchisor, nor any other individual who will have management responsibility relating to the sale or operation of franchises offered in the Franchise Disclosure Document has, during the ten (10) year period immediately before the date of the Offering Circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. bankruptcy code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code during or within

one (1) year after the officer or general partner of the Franchisor held this position in the company or partnership.

4. Initial Franchise Fee. The following is in addition to the disclosure in Item 5 of the Franchise Disclosure Document:

The initial franchise fee may, in part, be profit to us, and is, in part, used to pay our following expenses and costs: (a) employee salaries and benefits; (b) sales, administrative and operating expenses; (c) legal and accounting fees; (d) expenses of technical assistance, service and support; (e) protection of our trademarks; (f) other operational expenses incurred by us relating to franchising.

5. Renewal, Termination, Transfer and Dispute Resolution. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

Conditions for our approval of the transfer--The release you must sign if you transfer your franchise will not apply to any claims you may have arising under Article 33 of the General Business Law of the State of New York.

Assignment of contract by us--No assignment of our rights in the Franchise Agreement or Area Development Agreement will be made by us except to an assignee who, in our good faith and judgment, is willing and able to assume our duties under the Agreement.

Choice of law--The choice of law provision, which requires application of Michigan laws, will not be considered a waiver of your rights under Article 33 of the General Business Law of the State of New York.

Modification of agreements--Revisions to the operations manual will not unreasonable affect your obligations, including economic requirements, under the Franchise Agreement.

## **NORTH DAKOTA**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

### **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):**

(a) Restrictive Covenants: Franchise offering circulars which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.

(b) **Situs of Arbitration Proceedings:** Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

(c) **Restrictions on Forum:** Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

(d) **Liquidated Damages and Termination Penalties:** Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

(e) **Applicable Laws:** Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.

(f) **Waiver of Trial by Jury:** Requiring North Dakota franchises to consent to a waiver of a trial by jury.

(g) **Waiver of Exemplary and Punitive Damages:** Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

(h) **General Release:** Franchise agreements that require the franchisee to sign a general release on renewal of the franchise agreement.

(i) **Limitation of Claims:** Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(j) **Enforcement of Agreement:** Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

## **RHODE ISLAND**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

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

## **WASHINGTON**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

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 that may supersede the franchise agreement in your relationship with us including the areas of termination and renewal of your franchise.

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

A release or waiver of rights executed by a franchisee will 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 that 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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

## **WISCONSIN**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

Chapter 135, Stats., Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement or any other agreement inconsistent with that law.



**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE SPECIFIC ADDENDA TO THE  
FRANCHISE AGREEMENT**

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF HAWAII**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the Hawaii Franchise Investment Law, Haw. Rev. Stat. § 482E-1, et seq., the parties agree as follows:

1. Release on Renewal. Section 17.2(d) of the Franchise Agreement, is amended by adding the following at the end of that Section:

“excluding only such claims as Franchisee may have under the Hawaii Investment Law.”

2. Supplier Requirements. Section 4.4 of the Franchise Agreement is amended by adding the following:

If, and to the extent, the requirement for Franchisee to purchase products from a designated supplier is unlawful under Hawaii Law, that requirement will be void (to the extent unlawful) and Franchisee must purchase those products in accordance with Franchisor’s specifications and only from manufacturers and/or suppliers that have been approved by Franchisor and not later disapproved.

3. Release on Transfer. Section 16.2(i) of the Franchise Agreement, is amended by adding the following at the end of that Section:

“excluding only such claims as the Franchisee may have under the Hawaii Franchise Investment law;”

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF HAWAII**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Developer”).

In recognition of the requirements of the Hawaii Franchise Investment Law, Haw. Rev. Stat. § 482E-1, et seq., the parties agree as follows:

1. Release on Transfer. Section 12.2(i) of the Area Development Agreement, is amended by adding the following at the end of that Section:

“excluding only such claims as the Developer may have under the Hawaii Franchise Investment law;”

2. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. State. §§ 705/1 to 705/44, the parties agree as follows:

1. Renewal. Section 17.2 of the Franchise Agreement is amended by adding the following paragraph:

If any of the provisions of this Section 17.2 concerning renewal are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

2. Termination. The following is added as Section 18.13 of the Franchise Agreement:

18.13 If any of the provisions of this Agreement concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

3. Applicable Law. Section 23.10 of the Franchise Agreement is amended by adding the following:

Any provision of the Franchise Agreement specifying the application of the laws of a state other than Illinois is void with respect to franchises subject to Illinois law.

4. Venue. Section 23.10 of the Franchise Agreement is also amended by adding the following:

Any provision of the Franchise Agreement specifying a state other than Illinois as the forum for arbitration or litigation is void with respect to any cause of action that is otherwise enforceable in the State of Illinois.

5. Illinois Franchise Disclosure Act. The Franchise Agreement is amended by the addition of the following paragraph as Section 23.21:

19.14 No condition, stipulation, or provision of this Agreement requiring Franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or Illinois law will be valid or enforceable.

6. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the

Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Developer”).

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. State. §§ 705/1 to 705/44, the parties agree as follows:

1. Renewal. Section 11 of the Area Development Agreement is amended by adding the following paragraph:

If any of the provisions of this Agreement concerning renewal are inconsistent with Section 20 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

2. Termination. The Area Development Agreement is amended by adding the following Section 14.6:

14.6 If any of the provisions of this Agreement concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act of 1987, then said Illinois law will apply.

3. Applicable Law. Section 20.10 of the Area Development Agreement is amended by adding the following:

Any provision of the Area Development Agreement specifying the application of the laws of a state other than Illinois is void with respect to franchises subject to Illinois law.

4. Venue. Section 20.10 of the Area Development Agreement is also amended by adding the following:

Any provision of the Area Development Agreement specifying a state other than Illinois as the forum for arbitration or litigation is void with respect to any cause of action that is otherwise enforceable in the State of Illinois.

5. Illinois Franchise Disclosure Act. The Area Development Agreement is amended by the addition of the following paragraph as Section 20.21:

20.21 No condition, stipulation, or provision of this Agreement requiring Developer to waive compliance with any provision of the Illinois Franchise Disclosure Act or Illinois law will be valid or enforceable.

6. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the

Illinois Franchise Disclosure Act of 1987 are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF INDIANA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7, the parties agree as follows:

1. Release on Renewal. The following language is added at the end of Section 17.2(d) of the Franchise Agreement:

"except those claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7."

2. Release on Transfer. The following language is added at the end of Section 16.2(i) of the Franchise Agreement:

"except those claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7."

3. Applicable Law. Section 23.10 of the Franchise Agreement is amended by adding the following at the end of that Section:

"Notwithstanding the foregoing, the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable."

4. Effectiveness of Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to this Addendum.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF INDIANA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Developer”).

In recognition of the requirements of the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7, the parties agree as follows:

1. Release on Transfer. The following language is added at the end of Section 12.2(i) of the Area Development Agreement:

"except those claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7."

2. Applicable Law. Section 20.10 of the Area Development Agreement is amended by adding the following at the end of that Section:

"Notwithstanding the foregoing, the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable."

3. Effectiveness of Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to this Addendum.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF MARYLAND**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article-Business Regulation, Title 14, §§ 14-201 to 14-233, the parties agree as follows:

1. Acknowledgements of Franchisee. The following Section 24.2 is added to the Franchise Agreement:

24.2 The representations in this Agreement are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Franchisee acknowledges that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. Release on Renewal. Section 17.2(d) of the Franchise Agreement is amended by adding the following at the end of that Section:

“except claims arising under the Maryland Franchise and Disclosure Law.”

3. Release on Transfer. Section 16.2(i) of the Franchise Agreement is amended by adding the following at the end of that Section:

“except claims arising under the Maryland Franchise Registration and Disclosure Law.”

4. Choice of Law; Jurisdiction and Venue. Section 23.10 of the Franchise Agreement is amended by adding the following:

“Notwithstanding anything to the contrary in this Agreement, Franchisee may bring a claim against Franchisor under the Maryland Franchise Registration and Disclosure Law in any arbitration proceeding or, as applicable, in any Court of competent jurisdiction in the State of Maryland.”

5. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF MARYLAND**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Developer”).

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article-Business Regulation, Title 14, §§ 14-201 to 14-233, the parties agree as follows:

1. Acknowledgements of Developer. The following Section 25.2 is added to the Franchise Agreement:

25.2 The representations in this Agreement are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Developer acknowledges that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. Release on Transfer. Section 12.2(i) of the Area Development Agreement is amended by adding the following at the end of that Section:

“except claims arising under the Maryland Franchise Registration and Disclosure Law.”

3. Choice of Law; Jurisdiction and Venue. Section 20.10 of the Area Development Agreement is amended by adding the following:

“Notwithstanding anything to the contrary in this Agreement, Developer may bring a claim against Franchisor under the Maryland Franchise Registration and Disclosure Law in any Court of competent jurisdiction in the State of Maryland.”

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF MINNESOTA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat., § 80C.01, et seq., and the Rules and Regulations promulgated under the Act by the Commissioner of Commerce, Minnesota Rule § 2860.4400, et seq., the parties agree as follows:

1. Release on Renewal. Section 17.2(d) of the Franchise Agreement is amended by adding the following at the end of that Section:

“excluding only such claims as Franchisee may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.”

2. Release on Transfer. Section 16.2(i) of the Franchise Agreement is amended by adding the following at the end of that Section:

“excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.”

3. Renewal, Transfer and Termination. The following Section 23.21 is added to the Franchise Agreement:

23.21 Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. Minn. Stat. § 80.C.14, Subd. 3, 4, and 5 require, except in specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

4. Applicable Law; Jurisdiction and Venue. Section 23.10 of the Franchise Agreement is amended by adding the following:

Minn. Stat. § 80.C.21, and Minn. Rule Part 2860.4400J prohibit franchisors from requiring litigation to be conducted outside Minnesota. In addition, nothing in this 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.

5. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat., §§ 80C.01 through 80C.22, and the Rules and Regulations promulgated under the Act by the Minnesota Commissioner of Commerce, Minn. Rule §§ 2860.0100 through 2860.9930, are met independently without reference to this Addendum.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF MINNESOTA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Developer").

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat., § 80C.01, et seq., and the Rules and Regulations promulgated under the Act by the Commissioner of Commerce, Minnesota Rule § 2860.4400, et seq., the parties agree as follows:

1. Release on Transfer. Section 12.2(i) of the Area Development Agreement is amended by adding the following at the end of that Section:

“excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.”

2. Renewal, Transfer and Termination. The following Section 20.21 is added to the Area Development Agreement:

20.21 Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. Minn. Stat. § 80C.14, Subd. 3, 4, and 5 require, except in specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Area Development Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

3. Applicable Law; Jurisdiction and Venue. Section 20.10 of the Area Development Agreement is amended by adding the following:

Minn. Stat. § 80C.21, and Minn. Rule Part 2860.4400J prohibit franchisors from requiring litigation to be conducted outside Minnesota. In addition, nothing in this 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.

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat., §§ 80C.01 through 80C.22, and the Rules and Regulations promulgated under the Act by the Minnesota Commissioner of Commerce, Minn. Rule §§ 2860.0100 through 2860.9930, are met independently without reference to this Addendum.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF NEW YORK**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, the parties agree as follows:

1. Release on Renewal and Transfer. Sections 16.2(i) and 17.2(d) of the Franchise Agreement are amended by adding the following proviso at the end of each Section:

Provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under that law will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.

2. Applicable Law. Section 23.10 of the Franchise Agreement is amended by adding the following sentence:

This choice of law provision will not be considered a waiver of a right of Franchisee under the provisions of Article 33 of the General Business Law of the State of New York.

3. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF NEW YORK**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Developer").

In recognition of the requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, the parties agree as follows:

1. Release on Transfer. Section 12.2(i) of the Area Development Agreement is amended by adding the following proviso at the end of that Section:

Provided, however, that all rights enjoyed by Developer and any causes of action arising in Developer's favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under that law will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.

2. Applicable Law. Section 20.10 of the Area Development Agreement is amended by adding the following sentence:

This choice of law provision will not be considered a waiver of a right of Developer under the provisions of Article 33 of the General Business Law of the State of New York.

3. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF NORTH DAKOTA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Franchisee”).

In recognition of the requirements of the North Dakota Franchise Investment Law, Chapter 51-19 of the North Dakota Century Code, the parties agree as follows:

1. Covenants Not to Compete. Section 20.2 of the Franchise Agreement is amended by adding the following:

“The covenant not to compete stated in this Section is subject to Section 9-08-06 of the North Dakota Century Code.”

2. Applicable Law and Venue for Litigation. Section 23.10 of the Franchise Agreement is deleted.

3. **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):**

(a) Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.

(b) Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.

(c) Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

(d) Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

(e) Applicable Laws: Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.

(f) Waiver of Trial by Jury: Requiring North Dakota franchises to consent to a waiver of a trial by jury.

(g) Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

(h) General Release: Franchise agreements that require the franchisee to sign a general release on renewal of the franchise agreement.

(i) Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(j) Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-17, are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF NORTH  
DAKOTA**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation (“Franchisor”) and \_\_\_\_\_ (“Developer”).

In recognition of the requirements of the North Dakota Franchise Investment Law, Chapter 51-19 of the North Dakota Century Code, the parties agree as follows:

1. Covenants Not to Compete. The following Section 24.8 is added to the Area Development Agreement:

24.8 The covenants not to compete stated in this Agreement are subject to Section 9-08-06 of the North Dakota Century Code.

2. Applicable Law and Venue for Litigation. Section 20.10 of the Area Development Agreement is deleted.

3. **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):**

(a) Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.

(b) Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee’s business.

(c) Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

(d) Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

(e) Applicable Laws: Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.

(f) Waiver of Trial by Jury: Requiring North Dakota franchises to consent to a waiver of a trial by jury.

(g) Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

(h) General Release: Franchise agreements that require the franchisee to sign a general release on renewal of the franchise agreement.

(i) Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(j) Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-17, are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF RHODE ISLAND**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree as follows:

1. Applicable Law. Section 23.10 of the Franchise Agreement is amended by adding the following:

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

2. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Amendment.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF RHODE  
ISLAND**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Developer").

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree as follows:

1. Applicable Law. Section 20.10 of the Area Development Agreement is amended by adding the following:

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

2. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_



**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF WASHINGTON**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Washington Franchise Investment Protection Act, the parties agree as follows:

1. Washington Law. The Franchise Agreement is amended by adding the following paragraphs:

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. There may also be court decisions that may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of Franchisee's franchise.

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

A release or waiver of rights executed by Franchisee will 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 that 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.

Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF WASHINGTON**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Developer").

In recognition of the requirements of the Washington Franchise Investment Protection Act, the parties agree as follows:

1. Washington Law. The Area Development Agreement is amended by adding the following paragraphs:

The State of Washington has a statute, RCW 19.100.180, which may supersede the Area Development Agreement in Developer's relationship with Franchisor, including the areas of termination and renewal of Developer's franchise. There may also be court decisions that may supersede the Area Development Agreement in Developer's relationship with Franchisor including the areas of termination and renewal of Developer's franchise.

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

A release or waiver of rights executed by Developer will 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 that 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.

Transfer fees are collectable to the extent that they reflect Developer's reasonable estimated or actual costs in effecting a transfer.

2. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF WISCONSIN**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Wisconsin Fair Dealership Law, Ch. 135, Stats., the parties agree as follows:

1. Applicable Law. Section 23.10 of the Franchise Agreement is amended by adding the following:

"Chapter 135, Stats., Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement or any other agreement inconsistent with that law."

2. Effectiveness of Amendment. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE MESSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
AREA DEVELOPMENT AGREEMENT FOR USE IN THE STATE OF WISCONSIN**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies an Area Development Agreement of the same date entered into by Massage Green International Franchise Corp., a Michigan corporation ("Franchisor") and \_\_\_\_\_ ("Developer").

In recognition of the requirements of the Wisconsin Fair Dealership Law, Ch. 135, Stats., the parties agree as follows:

1. Applicable Law. Section 20.10 of the Area Development Agreement is amended by adding the following:

“Chapter 135, Stats., Wisconsin Fair Dealership Law, supersedes any provision of the Area Development Agreement or any other agreement inconsistent with that law.”

2. Effectiveness of Amendment. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this Amendment.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
DEVELOPER

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

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

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT K**

**RECEIPTS**

## RECEIPT

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 Massage Green 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. **Iowa, New York, Oklahoma and Rhode Island** require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship. **Michigan, Oregon, Washington and Wisconsin** require that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If Massage Green 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 applicable state agency.

The franchisor is Massage Green<sup>®</sup> International Franchise Corp., 29657 Orchard Lake Road, Farmington Hills, MI 48334 - telephone number is (248) 538-1000.

Issuance date: May 20, 2013

The franchise seller for this offering is Allie T. Mallad, President, Massage Green<sup>®</sup> International Franchise Corp., 29657 Orchard Lake Road, Farmington Hills, MI 48334, (248) 538-1000.

Massage Green authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 20, 2013 that included the following exhibits:

Exhibit A: Franchise Agreement	Exhibit G: List of Franchisee's that Recently Left
Exhibit B: Multi-Unit Addendum	Exhibit H: Financial Statements
Exhibit C: Area Development Agreement	Exhibit I: Disclosure Acknowledgment Statement
Exhibit D: List of State Administrators and Agents for Service of Process	Exhibit J: State Specific Disclosures and Addenda
Exhibit E: Manual Table of Contents	Exhibit K: Receipts
Exhibit F: List of Stores and Area Developers	

Dated: \_\_\_\_\_  
(do not leave blank)

\_\_\_\_\_  
[sign]

\_\_\_\_\_  
[print name (and title if applicable)]

\_\_\_\_\_  
[print name of entity if applicable]

You may return the signed receipt either by signing, dating, and mailing it to Massage Green, 29657 Orchard Lake Road, Farmington Hills, MI 48334, or by scanning a copy of the signed and dated receipt and emailing it to Massage Green at [allie@massagegreen.com](mailto:allie@massagegreen.com).

**PROSPECTIVE FRANCHISEE/AREA DEVELOPER'S COPY**

## RECEIPT

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 Massage Green 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. **Iowa, New York, Oklahoma and Rhode Island** require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship. **Michigan, Oregon, Washington and Wisconsin** require that we give you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If Massage Green 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 applicable state agency.

The franchisor is Massage Green<sup>®</sup> International Franchise Corp., 29657 Orchard Lake Road, Farmington Hills, MI 48334, telephone number is (248) 538-1000.

Issuance date: May 20, 2013

The franchise seller for this offering is Allie T. Mallad, President, Massage Green<sup>®</sup> International Franchise Corp., 29657 Orchard Lake Road, Farmington Hills, MI 48334, (248) 538-1000.

Massage Green authorizes the respective state agencies identified on Exhibit B to receive service of process for it in the particular state.

I received a disclosure document dated May 20, 2013 that included the following exhibits:

Exhibit A: Franchise Agreement	Exhibit G: List of Franchisee's that Recently Left
Exhibit B: Multi-Unit Addendum	Exhibit H: Financial Statements
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Exhibit D: List of State Administrators and Agents for Service of Process	Exhibit J: State Specific Disclosures and Addenda
Exhibit E: Manual Table of Contents	Exhibit K: Receipts
Exhibit F: List of Stores and Area Developers	

Dated: \_\_\_\_\_  
(do not leave blank)

\_\_\_\_\_  
[sign]

\_\_\_\_\_  
[print name (and title if applicable)]

\_\_\_\_\_  
[print name of entity if applicable]

You may return the signed receipt either by signing, dating, and mailing it to Massage Green, 29657 Orchard Lake Road, Farmington Hills, MI 48334, or by scanning a copy of the signed and dated receipt and emailing it to Massage Green at [allie@massagegreen.com](mailto:allie@massagegreen.com).

**FRANCHISOR'S COPY**