

## FRANCHISE DISCLOSURE DOCUMENT

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Department of  
Business Oversight

Massage Green International Franchise Corp.  
a Michigan corporation  
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This Franchise Disclosure Document describes a **MASSAGE GREEN®** Spa single unit franchise. The single unit franchise ("Massage Green Spa Store" or "Franchised Store") features massage therapy, infrared sauna therapy, facial therapy, day spa services as some locations (e.g. manicures and pedicures), lifestyle education classes, and take-out sales of environmentally conscious health and beauty items and other merchandise.

The total investment necessary to begin operation of a **MASSAGE GREEN®** Spa single unit franchise ranges from \$170,000 to \$282,000. This includes \$46,050 to \$251,500 that must be paid to the franchisor or affiliates. 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 single unit franchises you commit to develop (\$45,000 in additional fees). So your initial investment will range from \$215,000 to \$327,000, which includes \$91,050 to \$296,500 that must be paid to the franchisor or its 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 Ms. Erica Mallad at 2254 Cole Street, Suite E, Birmingham, Michigan 48009 and [Erica@massagegreenspa.com](mailto:Erica@massagegreenspa.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: April 30, 2018

## 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 C for information about the franchisor or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN MICHIGAN. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT REQUIRES 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. AS PER THE AUDITED BALANCE SHEET DATED DECEMBER 31, 2016, THE FRANCHISOR HAD A NET WORTH DEFICIENCY OF (\$658,431).
4. AS PER THE AUDITED BALANCE SHEET DATED DECEMBER 31, 2016, THE FRANCHISOR HAD A WORKING CAPITAL DEFICIENCY OF (\$1,098,635).
5. THE FRANCHISEE OR MULTI UNIT FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$170,000 TO \$327,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2016, WHICH IS A DEFICIT OF (\$658,431).
6. 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>STATE</b> | <b>EFFECTIVE DATE</b> |
|--------------|-----------------------|
|              |                       |
| California   |                       |
| Hawaii       |                       |
| Illinois     |                       |
| Indiana      |                       |
| Maryland     |                       |
| Michigan     | May 11, 2018          |
| 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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| Exhibit A: | Franchise Agreement                                               |
| Exhibit B: | Multi-Unit Addendum to Franchise Agreements                       |
| Exhibit C: | List of State Administrators and Agents for Service of Process    |
| Exhibit D: | Confidential Operations Manual Table of Contents and Holiday List |
| Exhibit E: | Local Advertising Cooperative Agreement                           |
| Exhibit F: | Confidentiality and Non-Competition Agreement                     |
| Exhibit G: | List of <b>MASSAGE GREEN®</b> Spa Stores                          |
| Exhibit H: | List of Franchisees that Recently Left the System                 |
| Exhibit I: | Financial Statements                                              |
| Exhibit J: | State Specific Disclosures and Addenda                            |
| Exhibit K: | Receipts                                                          |

## **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. If the prospective franchisee is a corporation, partnership, limited liability company or other entity, "you" 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 2254 Cole Street, Suite E, Birmingham, Michigan 48009. We do business under our company name and the "MASSAGE GREEN® Spa" name. Massage Green's agents for service of process are listed on Exhibit C.

#### **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 2254 Cole Street, Suite E, Birmingham, Michigan 48009. We do not have any predecessors.

Massage Green has a number of affiliates. Our affiliate, Red Effect International Franchise, LLC (formerly ZIFit International Franchise, LLC), a Michigan limited liability company ("Red Effect"), is the franchisor of Red Effect Infrared Fitness Studio unit and area development franchises. 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"), provides general contractor services to our franchisees. See Item 8. The principal business address for Red Effect, Massage Distributing, and MG Construction is 2254 Cole Street, Suite E, Birmingham, Michigan 48009. Our affiliate, Stretch Smart International Franchise, LLC, a Michigan limited liability company ("Stretch Smart"), intends to franchise a business that that offers assisted stretching services combined with infrared therapy under the Stretch Smart Infrared Therapy Center name. Stretch Smart intends to begin offering single unit and area development Stretch Smart Infrared Therapy Center franchises in the future. The principal business address for Stretch Smart is 2254 Cole Street, Suite E, Birmingham, Michigan 48009. We also have a number of affiliates that operate MASSAGE GREEN® Spa Stores (See Item 20). Other than Red Effect, Massage Distributing, MG Construction, and Stretch Smart, we do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees.

#### **Franchisor's Business**

We offer and sell MASSAGE GREEN® Spa 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 MESSAGE GREEN® Spa Single Unit Franchise**

The MESSAGE GREEN® Spa single unit franchise (sometimes referred to as a "MESSAGE GREEN® Spa Store" or "Franchised Store") offers massage therapy, infrared sauna therapy, facial therapy, day spa services at some locations (e.g. manicures and pedicures), 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 "Message Green Spa Products"). Franchised Stores use trade dress and trademarks that we own or are licensed to use, including the trademarks "MESSAGE GREEN® Spa", and any other trademarks that we may periodically adopt in our discretion (collectively, the "Proprietary Marks"). Franchised Stores use our formats, specifications, 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 MESSAGE GREEN® Spa 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 MESSAGE GREEN® Spa Store. Each Message Green Franchise Agreement covers one MESSAGE GREEN® Spa 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 Message Green Spa Products; (v) the Confidential Operations Manual (the "Manual"); (vi) the Message Green Spa Products; (vii) operating procedures for sanitation and maintenance; and (viii) methods and techniques for inventory and cost controls, record keeping and reporting, purchasing, sales promotion and advertising. We may periodically change or otherwise modify the System in our discretion.

### **THE MESSAGE GREEN® Spa 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.

### **The MASSAGE GREEN® Spa Area Development Agreement**

We may offer an Area Development Agreement ("ADA") to qualified persons. The Area Development Agreement is disclosed in a separate Franchise Disclosure Document. Under the ADA, an area developer obtains the right to develop multiple Franchised Stores within a specified geographic territory (the "Development Territory"). Those franchises may be operated by the area developer, affiliates of the area developer, or other franchisees. Under the Area Development Agreement, the area developer will act as a contractor for us in connection with offering Franchised Stores for sale in the Development Territory and will provide services to the Franchised Stores in the Development Territory on our behalf, including: assisting franchisees with development of their franchises; ongoing support of franchisees, including regular visits to the Franchised Stores; conducting meetings for franchisees; and being available to give operational advice to franchisees. As consideration for these services, the area developer is paid a portion of the initial and ongoing fees paid by Franchised Stores in the Development Territory. If you purchase a Franchised Store that will be operated in the Development Territory of an area developer, the services we are required to provide to you may be provided by the area developer.

### **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.

### **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. In addition, some states have laws and regulations governing the certification of massage practitioners and therapists, including education and other qualification requirements, and governing the conduct of certified therapists. For example, the California Massage Therapy Act specifies education and other qualification requirements for obtaining certification as a massage therapist. The California Massage Therapy Act also specifies conduct that is a violation of the Act and grounds for denial of certification or to impose discipline on a certificate holder. Although certification is voluntary under the California Act, a person who is not certified is prohibited from holding himself or herself out as or to use the title of "certified massage therapist," "certified massage practitioner," or any other term, such as "licensed,"

“certified,” “CMT,” or “CMP,” that suggests that person currently holds a valid certificate. 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.

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

### **Prior Business Experience**

We have offered **MESSAGE GREEN®** Spa unit franchises and area development franchises since January 2009. We do not operate a business of the type to be operated by our franchisees, but we have affiliates that have operated **MESSAGE GREEN®** Spa Stores since November 2008. Those Stores are considered Company-Owned Stores for purposes of this Disclosure Document. See Item 20.

Our affiliate, Red Effect, has offered Red Effect Infrared Fitness Studio unit and area development franchises since September 2016. The Red Effect Infrared Fitness Studio unit franchise is a fitness studio that offers members access to fitness classes that combine infrared therapy and high intensity heart-rate based interval training in a group setting, as well as other related services and merchandise. As of December 31, 2017, Red Effect had 1 operating unit franchise, 4 operating affiliate-owned units, and no operating area development franchises. Our affiliate, Stretch Smart, intends to begin offering Stretch Smart Infrared Therapy Center single unit and area development franchises during 2018. The Stretch Smart Infrared Therapy Center single unit franchise will offer assisted stretching services combined with infrared therapy and related products and services to the public. As of December 31, 2017, Stretch Smart had not sold any Stretch Smart Infrared Therapy Center single unit franchises or area development franchises.

We have not offered franchises in any other line of business. Except as described above, 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 has been Chief Executive Officer of Red Effect since April 2016. Mr. Mallad has been CEO of Red Effect Holdings, LLC since September 2016. Mr. Mallad has been CEO of ZIF Distributing, LLC since September 2016. Mr. Mallad has been CEO of Stretch Smart since February 2018. Mr. Mallad has been CEO of Stretch Smart Holding, LLC and Stretch Smart Distributing, LLC since October 2017. Mr. Mallad is also the Member or Manager of a number of affiliated entities that operate Massage Green Spa Stores and area development franchises, Red Effect Infrared Fitness Studios, and a Stretch Smart Infrared Therapy Center.

### **National Director of Training – Jessica Mallad**

Ms. Mallad has been working for us since January 2014 and became our National Director of Training in May 2014. Mr. Mallad has been National Director of Franchise Training and Support for Red Effect since June 2016. From April 2012 to January 2014, Ms. Mallad was a personal banker for Chase Bank in Redford, Michigan.

### **Chief Operating Officer – Carlos Guzman**

Mr. Guzman has been our Chief Operating Officer since January 1, 2017. From May 2016 to December 31, 2017, Mr. Guzman was our Chief Marketing Officer. Mr. Guzman has been Chief Operating Officer of Red Effect since May 2016. Mr. Guzman has been COO of Stretch Smart since March 2018. From January 2016 to May 2016, Mr. Guzman was CEO of GMG Advertising LLC, an advertising agency in Miami, Florida. From February 2013 to December 2015, Mr. Guzman was Chief Marketing Officer and Executive Vice President of Republic LLC, and advertising agency in Miami, Florida. From February 1994 to December 2012, Mr. Guzman was President of Harte Hanks, a direct marketing company in Miami, Florida.

### **Director of Construction – Shawnee Warrick**

Ms. Warrick has been our Director of Construction since March 2012. Ms. Warrick has also been Director of Construction for MG Construction Pros, LLC in Southfield, Michigan. Ms. Warrick has been National Director of Construction for Stretch Smart since March 2018. From November 2009 to March 2012, Ms. Warrick was Shipping Manager for Speaker Craft in Riverside, California.

### **Director of Administration and Human Resources – Erica Mallad**

Ms. Mallad has been our Director of Administration and Human Resources since March 2017. Ms. Mallad was our National Director of Corporate Administration from October 2014 to March 2017. Ms. Mallad was our Assistant Director of Administration from August 2014 to December 2014. Ms. Mallad has been Director of Human Resources for Red Effect since May 2016. Ms. Mallad has been Director of Human Resources and Administration of Stretch Smart since March 2018. Ms. Mallad was a Manager of a Massage Green Spa in Allen Park, Michigan from August 2012 to August 2014 and was a Senior Sales Associate at a Massage Green Spa in Dearborn, Michigan from February 2011 to August 2012. Ms. Mallad is also an owner of a number of entities that operate Massage Green Spa Stores and Red Effect Infrared Fitness stores.

### **National Creative Director of Brand Marketing – Chelsie Bender**

Ms. Bender has been our National Creative Director of Brand Marketing since June 2017. From May 2016 to June 2017, Ms. Bender was a Graphic Designer for us. Ms. Bender has been National Director of Brand Marketing and Creative for Red Effect since June 2017. Ms. Bender has been National Director of Brand Marketing and Creative of Stretch Smart since March 2018. Ms. Bender has been self employed as a Graphics Designer in Southfield, Michigan since March 2016. From January 2016 to May 2016, Ms. Bender was a Graphics and Marketing Assistant for Manaco Blue in Grand Rapids, Michigan. From January 2016 to May 2016, Ms. Bender was a



Marketing Intern for Saugatuck Center for the Arts in Saugatuck, Michigan. From 2011 to 2015, Ms. Bender was a student in Grand Rapids, Michigan.

### **Corporate Controller – Robert Vendittelli**

Mr. Vendittelli has been our Corporate Controller since March 2014. Mr. Vendittelli has been Corporate Controller for Red Effect since April 2016. Mr. Vendittelli has been Corporate Controller for Stretch Smart since March 2018. From March 2011 to March 2014, Mr. Vendittelli was Controller for Intrastate Distributors of Detroit, Michigan.

## **ITEM 3 LITIGATION**

### **Actions Involving the Franchise Relationship in 2017**

*Massage Green International Franchise Corp. v. Perfect Touch Massage, Inc., et al.* (AAA Case No. 01-17-0005-8462). Filed September 29, 2017 for enforcement of Franchise Agreement and damages.

*Massage Green International Franchise Corp. v. Ernie Ramirez* (AAA Case No. 01-17-0005-4065). Filed September 12, 2017 for enforcement of two Franchise Agreements and damages.

*Massage Green International Franchise Corp. v. Robert A. Vergura and Gita Mahdizadeh* (AAA Case No. 01-17-0005-5779). Filed September 19, 2017 for enforcement of Franchise Agreement and damages.

Other than these actions, no litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

## **ITEM 5 INITIAL FEES**

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.

We offer qualified veterans of the U.S. Armed Forces a discount on Initial Franchise Fees. Under our current policies, qualified veterans will receive a discount of \$5,000 on the Initial Franchise Fee payable for a single Franchised Store and will receive a discount of \$15,000 on the Initial Franchise Fees payable under a Multi-Unit Addendum for three Franchised Stores.

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

You will purchase goods and services related to your POS System from or through us before you open for business. We estimate that the cost of these goods and services purchased from or through us before you open will range from \$1,050 to \$1,500. You must purchase goods and services in connection with the construction of your Franchised Store from our affiliate, MG Construction, which is our designated supplier for general contractor services, unless we approve a different general contractor in our sole discretion. We estimate that the goods and services purchased from MG Construction will range from \$0 (if we approve use of a general contractor other than MG Construction) to \$150,000. This amount could be higher if your landlord does not provide a “white box,” but in that case, we would not approve the location unless the landlord agreed to cover the additional expense (see note 2 to the Item 7 table). If you request and we approve your use of a general contractor other than the general contractor designated by us, you must pay us a \$1,000 review fee plus our food, lodging, and transportation (air travel, car rental, etc.) expenses for two physical inspections of the work of the general contractor (once before rough inspection and once before final inspection). We estimate that the cost of the review fee and the expenses for the two inspections will range from \$2,000 to \$5,000. You will not be responsible for the review fee and related expenses if you use our designated general contractor. On occasion, we or an affiliate may sell used equipment or furnishings to a franchisee. We estimate the range of costs for used equipment or furnishings will be \$5,000 to \$50,000.

## ITEM 6 OTHER FEES

| Type Of Fee <sup>(1)</sup> | Amount                                                              | Due Date                                                                                                                   | Remarks                                                                                                          |
|----------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| Royalty Fee                | A weekly amount equal to the greater of 6% of Gross Sales or \$300. | 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> |

| Type Of Fee <sup>(1)</sup>                        | Amount                                                                                                                                | Due Date                                                                                       | Remarks                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. This requirement is in addition to any Local or Cooperative Advertising Fees paid by you, but, except for grand opening advertising, you will not be required to pay more than the greater of 5% of Gross Sales or \$3,000 per month for all combined advertising expenses. <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 (but, except for grand opening expenses, you will not be required to pay more than the greater of 5% of Gross Sales or \$3,000 per month for all combined advertising expenses). 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 the date specified by us via electronic funds transfer (EFT).                               | \$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.                                                                                                                                                                                                                                                                                                                                       |
| Insufficient Funds Charges                        | \$45.00 or, if greater, actual bank charges.                                                                                          | On the date specified by us via electronic funds transfer (EFT).                               | 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>              | Up to \$1,000 per year for attending the annual convention.                                                                           | On the date specified by us via electronic funds transfer (EFT).                               | You must pay the applicable fee in any year in which we conduct an annual convention. <sup>(5)</sup>                                                                                                                                                                                                                                                                                                                                                                       |
| System Standards Fees                             | \$300 per occurrence                                                                                                                  | Within 7 days of notice from us.                                                               | We will assess this fee if you fail to operate in accordance with our policies and standards.                                                                                                                                                                                                                                                                                                                                                                              |
| Transfer Fee <sup>(6)</sup>                       | \$10,000.00 (\$1,000 if the transfer is between existing owners of the franchisee).                                                   | 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.                                                                                                                                                                                                                                                                                                                                            |

| Type Of Fee <sup>(1)</sup>                                                                           | Amount                                                                                  | Due Date                                                            | Remarks                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relocation Fee                                                                                       | \$5,000.00.                                                                             | On the date specified by us via electronic funds transfer (EFT).    | You must pay this fee if you request approval for the relocation of your Franchised Location. You will not be required to pay this fee if, at your landlord's request, you move to a new location within the same shopping center. |
| 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 is conducted because you have failed to provide reports or 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 per week for weekly reports and \$500 per month for monthly and annual reports | Five days after notice from us via electronic funds transfer (EFT). | You must pay this fee if you fail to timely submit a report to us. In addition, we may have a third party prepare the report for you and charge you the cost plus a 10% administrative fee.                                        |
| Fees to Evaluate and Approve Alternative Suppliers of Products, Equipment or Services <sup>(8)</sup> | \$1,000.00 plus food, lodging, and transportation expenses.                             | As incurred.                                                        | You must pay this fee if you request that we approve a supplier. You must pay our food, lodging and transportation expenses for two visits if we approve a different general contractor. <sup>(8)</sup>                            |
| Deadline Extension Fee                                                                               | \$5,000                                                                                 | At the time you request an extension                                | You may obtain a six-month extension of the time to obtain a location if you timely notify us and pay a non-refundable extension fee.                                                                                              |
| 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.                                                                               |

| Type Of Fee <sup>(1)</sup>                          | Amount                                                                                                                                             | Due Date                                                         | Remarks                                                                                                                                                                                                                                                  |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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>            | \$300 to \$1,350.                                                                                                                                  | On the date specified by us via electronic funds transfer (EFT). | You must pay these expenses if we incur expenses in connection with your on-site training, but your Franchised Store is not ready to open.                                                                                                               |
| 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 the date specified by us via electronic funds transfer (EFT). | If you do not employ a person who has completed our initial training program, you must send a successor for training. <sup>(11)</sup>                                                                                                                    |
| Annual Additional Training                          | No fee, but \$1,000 if you fail to attend required additional annual training.                                                                     | On the date specified by us via electronic funds transfer (EFT). | We may require additional annual training, not to exceed seven consecutive days. The training may be required if we give you at least 30 days prior written notice.                                                                                      |
| Software maintenance and support for POS System     | \$300 per month.                                                                                                                                   | 5 <sup>th</sup> day of each month.                               | You must pay for use, maintenance, and support of your POS system. The POS system is provided through us under an arrangement with the supplier of the POS system. We have the right to set the amount of fees payable and these fees are payable to us. |
| Fee for Not Being Open During Normal Business Hours | \$1,000.00 per day.                                                                                                                                | On the date specified by us via electronic funds transfer (EFT). | We may impose this fee on you for each day your business is not open and fully staffed and operational during the normal business hours we specify.                                                                                                      |
| Mystery Shopper Fee                                 | \$175 per month.                                                                                                                                   | 5 <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 the date specified by us via electronic funds transfer (EFT). | 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>                                                                                    |

| Type Of Fee <sup>(1)</sup>                                 | Amount                                                                                                                 | Due Date                                                         | Remarks                                                                                                                                                                                                       |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Payments Relating to Cross Global Programs <sup>(13)</sup> | Will vary under circumstances.                                                                                         | On the date specified by us via electronic funds transfer (EFT). | You may have to make payments or you may receive payments in connection with Cross Global Programs specified by us.                                                                                           |
| Administrative Fees                                        | \$40 per month                                                                                                         | 5 <sup>th</sup> day of each month                                | We may charge fees for administering the Cross Global Programs and marketing programs. We currently charge a combined fee of \$40 per month for these administrative services. This fee is subject to change. |
| Non-compliance Fees                                        | \$2,500 for failure to attend the annual convention; \$500 per week for failure to participate in promotional programs | On the date specified by us via electronic funds transfer (EFT). | We have the right to charge non-compliance fees if you fail to comply with certain obligations under the Franchise Agreement.                                                                                 |
| Other Amounts Owed by Franchisee and its Affiliates.       | Amount will vary under circumstances                                                                                   | As incurred                                                      | See Note 14 <sup>(14)</sup>                                                                                                                                                                                   |

**Notes:**

(1) All the fees described in the table are imposed by and payable to us, except local advertising expenditures for advertising you place directly, remodeling and upgrading costs, and costs of promotions that are not collected by us. The fees payable to us 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 entries to your accounts for payments of fees and other amounts payable to us and any interest due and for payments of amounts payable to you. 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. In addition, if we specify, all required payments to us must be made daily, weekly, monthly, or another interval specified by us, instead of as otherwise provided in the Franchise Agreement.

(2) The Franchise Agreement defines "Gross Sales", as meaning, and including, the gross revenue from all sales of Massage Green Spa 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, you must pay a weekly National Advertising Fee in the amount of 2% of your 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. Your obligation to pay National Advertising fees is in addition to and will not be diminished by any Local Advertising Expense or Local Cooperative Advertising expense paid by you, except that, you will not be required to spend more than the greater of 5% of Gross Sales or \$3,000 per month (\$6,000 during grand opening) for combined Local Advertising Expense, Local Cooperative Advertising, and National Advertising Fees. We will have the right, in our sole discretion, to specify the portion of the total required advertising expenditure allocated to Local Advertising Expense, Local Advertising Cooperative, and National Advertising Fees and we may allocate the entire required advertising expenditure to the National Advertising Fee.

(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 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, except that, you will not be required to spend more than the greater of 5% of Gross Sales or \$3,000 per month for combined Local Advertising Expense, Local Cooperative Advertising, and National Advertising Fees. We will have the right, in our sole discretion, to specify the portion of the total required advertising expenditure allocated to Local Advertising Expense, Local Advertising Cooperative, and National Advertising Fees and we may allocate the entire required advertising expenditure to the National Advertising Fee. 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. We currently have an advertising cooperative for Franchised Stores in Michigan. The Michigan advertising cooperative currently requires contributions for each promotional campaign run by the cooperative. The contributions range from approximately \$1,000 to \$3,000 per promotional campaign and there are normally four to six promotional campaigns each year.

(5) We may conduct a Massage Green Spa annual convention at a location to be determined by us. The convention will not to exceed four consecutive calendar days. You must attend the annual convention as long as we give you at least 60 days prior written notice of the

convention. 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. If you request to use a general contractor other than MG Construction you must pay us a \$1,000 review fee (for reviewing the general contractor and the work of the general contractor) plus our food, lodging, and transportation (air travel, car rental, etc.) expenses for two physical inspections of the work of the general contractor (once before rough inspection and once before final inspection). We do not have to approve suppliers for items that you must purchase from designated suppliers. See ITEM 8.

(9) 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 unless you or an owner or affiliate has previously operated or is currently operating a Franchise 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, adequate staff has been employed, and you or a trained manager is present at the Franchised Store. We will not book the travel for the training until you notify us in writing that you are ready to open. However, we will go through a ready to open checklist a day or two before the trainer is scheduled to travel. If you are not ready to open, we will have to reschedule the trainer's travel and you will have to pay the expense of rescheduling, which may include cancellation fees. We estimate that expense to be \$300 to \$1,000. If it appears you are ready to open, but 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. We estimate two to three days of expenses will be incurred in that case, so we estimate the expense to be \$600 to \$1,350. 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 Spa 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.

(13) We may establish policies and procedures relating to: (a) defining a customer's home Franchised Store ("Home Spa"); (b) the membership programs to be offered to customers by Franchised Stores; (c) the right of a customer to receive services from the customer's Home Spa and other Franchised Stores; (d) specifying the Franchised Store that is entitled to receive membership fees paid by a customer, regardless of the Franchised Store at which the customer purchases the membership; (e) the sharing of fees between Franchised Stores based on a customer receiving services at Franchised Stores other than the customer's Home Spa; (f) membership transfers from one Franchised Store to another Franchised Store; (g) the issuance and honoring of memberships, gift cards and electronic money cards issued by Franchised Stores; (h) customer loyalty programs; and (i) other reciprocal access and cross global matters specified by us (the "Cross Global Programs"). We may add, delete or modify the policies and procedures relating to Cross Global Programs on 30 days notice. You must participate in the Cross Global Programs and comply with the policies and procedures specified by us relating to the Cross Global Programs, including the payment of any amounts owed to us or other Franchised Stores under the Cross Global Programs. We will periodically reconcile payments due to and from Franchised Stores under the Cross Global Programs. You must pay any amounts due under the Cross Global Programs to or as directed by us at the times and in the manner specified by us. We may debit or credit your bank account on a periodic basis by electronic funds transfer after reconciling and reporting to you amounts due to or from you in connection with the Cross Global Programs. We may provide these reports by email, online access, or other means specified by us. We may charge a reasonable administrative fee for administering or having a designated supplier administer the Cross Global Programs.

(14) You must pay all additional amounts owed by you and your affiliates to us and our affiliates and any applicable advertising cooperatives on a timely basis. This includes, but is not limited to, amounts owed for goods and services provided by us and our affiliates, amounts owed as a result of Cross Global Program reconciliations, amounts owed to any advertising cooperatives, or other miscellaneous amounts owed to us and our affiliates. Those amounts must be paid by the due dates specified in the Franchise Agreement or other applicable agreement or

as otherwise specified by us. Payments not paid when due will be subject to late charges and interest. Under this provision, we may charge you and may transfer payments from your bank accounts for amounts you or your affiliates may owe to us or our affiliates or any applicable advertising cooperatives (including but not limited to amounts your affiliates may owe for royalty, advertising, Cross Global Reconciliations, advertising cooperatives, or other obligations under other franchise or other agreements between your affiliate and us or our affiliates). We will only charge you for amounts owed by your affiliates if those amounts are not timely paid by your affiliates.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

| Type of Expenditure                                                          | Amount                        | Method of Payment | When Due                          | To Whom Payment Is To Be Made          |
|------------------------------------------------------------------------------|-------------------------------|-------------------|-----------------------------------|----------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>                                         | \$45,000                      | Lump Sum          | On signing of Franchise Agreement | Us                                     |
| Leasehold Improvements <sup>(2)</sup>                                        | \$80,000 - \$150,000          | 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 - \$20,000           | As Incurred       | Before Opening                    | Suppliers                              |
| Equipment, including POS System Computer, Software and Set-Up <sup>(4)</sup> | \$3,500 - \$6,000             | As Incurred       | Before Opening                    | Suppliers                              |
| Signage                                                                      | \$3,500 - \$7,000             | Lump Sum          | Before Opening                    | Suppliers                              |
| Travel and Living Expenses While Training <sup>(5)</sup>                     | \$2,000 - \$5,000             | 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 - \$3,500             | As Incurred       | Before Opening                    | Suppliers                              |
| Insurance Costs <sup>(8)</sup>                                               | \$2,000 - \$4,500             | As Incurred       | As Incurred                       | Insurance Co.                          |
| Miscellaneous Opening Costs <sup>(9)</sup>                                   | \$1,000 - \$4,000             | 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) (15)</sup></b> | <b>\$170,000 to \$282,000</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 cost assumes the landlord will provide you with a "white box," including utility hookups, etc. If the landlord does not provide a "white box," you may have to incur substantial additional expenses for leasehold improvements (possibly up to \$275,000). We would not normally approve the location in that situation unless the landlord's contribution offset any cost over the amount estimated in the table. 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 and customer management 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. The estimate in the table includes the POS System hardware, software, set-up fees, the initial monthly internet and POS System fees and the other equipment described in this paragraph.

(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:

- **Property:**
  - Property must be insured on an all risk form including back up of sewers and drains and to its full replacement value, including agreed amount. Include blanket coverage if there are multiple locations. If building coverage is required, the building must be insured to full replacement cost value including improvements, agreed amount, and boiler and machinery coverage.
  - Loss of income must be written on an actual loss sustained basis for 12 months. This coverage must be written on an all risk form including back up of sewers and drains and off premises power failure including overhead transmission lines.
  - During construction of the Franchised Store, an all risk builder's risk policy must be maintained in an amount equal to 100% of the construction value and also general liability insurance and workers compensation insurance as described below.
- **Comprehensive General Liability with limits as follows:**
  - Each Occurrence: \$1,000,000
  - General Aggregate: \$2,000,000
  - Products/Completed Operations: \$2,000,000
  - Personal/Advertising Injury: \$1,000,000
  - Fire Damage: \$300,000
  - Medical Expense: \$10,000
- **Professional Liability including Sexual Abuse/Molestation:**
  - Each Occurrence: \$1,000,000
  - General Aggregate: \$2,000,000
- **Hired and Non-Owned Automobile Liability:**
  - Each Occurrence: \$1,000,000
- **Automobile Liability with limits of liability below (if any owned autos):**
  - Each Occurrence: \$1,000,000

- Workers' Compensation as required by law with coverage as follows:
  - Part 1: Workers Compensation – Statutory Benefits
  - Part 2 Employer's Liability:
    - \$100,000 Each Accident
    - \$500,000 Disease Policy Limit
    - \$100,000 Disease Each Employee
  - Must include a waiver of insurer's rights of subrogation against us.
- Stop Gap Liability (Employer's Liability) – required if any locations are located in the following states or territory: North Dakota, Ohio, Washington, Wyoming, Puerto Rico, or any state where a franchisee employer is approved to self insure for Workers' Compensation.
- The following insurance coverages are not mandatory, but are recommended:
  - Property insurance for flood and earthquake (mandatory if you are in a flood or earthquake zone)
  - Crime insurance for employee dishonesty, depositors forgery and loss of money
  - Umbrella insurance -- excess coverage that is over your general liability, automobile liability, employer's liability (Workers' Compensation) and Professional Liability
  - Employee Benefit Liability
  - Employment Practices Liability
- Each massage therapist must be covered by a professional liability insurance policy with policies limits of at least \$1,000,000 per occurrence and \$2,000,000 aggregate (this insurance may be obtained by you or by each massage therapist).

We may revise these insurance specifications in the future. You must comply with the modified insurance coverages within 30 days of written notice from us. Each required insurance policy must meet the following requirements: (a) all liability policies must name us (and any of our affiliates or representatives that we may reasonably specify) as an additional insured and certificate holder on the form specified by us (liability policies obtained by massage therapists must also name you as an additional insured); (b) the policy must not be subject to cancellation, modification or amendment except after 30 days written notice to us; (c) the insurance must be placed with a designated or approved supplier, as applicable, and an insurance carrier with an AM Best's Rating of not less than A-IX; (d) the policy must provide that failure by you to comply with any term, condition or provision of the insurance contract, or other conduct by you, will not void or otherwise affect the coverage afforded us and our affiliates and representatives;

(e) the applicable policies must cover your indemnification obligations under the Franchise Agreement; (f) the policy will be primary to and without right of contribution from any insurance purchased by us; and (g) the policy must contain a waiver of subrogation in favor of us for casualty losses. Your obligation to obtain and maintain the policies of insurance in the minimum amounts specified by us will not be limited in any way by reason of any insurance that may be maintained by us nor will your obligation to obtain insurance relieve you of your liability for indemnification as provided in the Franchise Agreement. Your lease may require higher limits or additional coverages.

The insurance coverages and amounts specified by us reflect minimum required amounts and are not meant to reflect your actual insurance coverage needs. It is your responsibility to carefully evaluate your insurance needs and to obtain the insurance coverages and amounts as necessary to satisfy those insurance needs.

You must provide and authorize your insurance carriers to provide us with monthly, quarterly, and/or annual reports (as specified by us) of losses paid by your insurance carriers on your behalf for losses suffered under your insurance policies. In addition, you must provide and authorize your insurance carriers to provide proof of your Worker's Compensation experience modification (EMOD). By signing the Franchise Agreement, you grant us a power-of attorney to obtain whatever loss reports or EMOD reports we determine are necessary to protect the integrity of the Proprietary Marks and System or for any other reasonable business purpose. Also, you must cooperate with us and your insurance carriers to enable us to obtain the insurance loss reports and EMOD reports as promptly and efficiently as possible, which may include providing written authorization to permit us to obtain the reports, in addition to the power of attorney granted in 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 Spa 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. We relied on the experience of our officers and affiliates in opening **MASSAGE GREEN®** Spa Stores to compile the estimate for additional funds.

(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. 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 \$215,000 to \$327,000. 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 \$125,000 to \$237,000.

(14) If you purchase an existing Franchised Store from us or an affiliate, you may pay a fair market value purchase price that is significantly more than the initial investment noted in the table.

(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.

## **ITEM 8**

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

#### **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®** Spa Stores and the products and services sold by **MASSAGE GREEN®** Spa Stores and to take advantage of the group purchasing power of **MASSAGE GREEN®** Spa 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 products or services we designate from a supplier designated by us ("designated suppliers"), which may include us or our affiliates (for example, MG Construction). We currently require that you purchase massage tables, POS System software, environmental cleaning products, massage oils and lotions, infrared saunas, water features, exterior signs, and insurance from designated suppliers. You must purchase the POS System through us under our arrangement with the supplier of the POS System. Also, you must purchase architectural services and general contractor services from designated suppliers unless we approve an alternative supplier in our discretion. Our affiliate, MG Construction, is the designated supplier of general contractor services. In order to ensure that you are being charged a reasonable price by our designated general contractor, you must obtain bids for the work from two alternative general contractors. We will review those bids at no cost to you to determine if the bids meet our specifications. If you are satisfied with the bids from the two alternative general contractors and are willing to accept one of the bids (and the work represented by that bid is in compliance with our specifications), we agree that, in our sole discretion: (a) we will approve the use by you of the general contractor that submitted that bid to you; or (b) our designated general contractor will agree to act as your general contractor. If you request and we approve the use of a general contractor other than our designated general contractor, you must pay us a \$1,000 review fee (for reviewing the general contractor and the work of the general contractor) plus our food, lodging, and transportation (air travel, car rental, etc.) expenses for two physical inspections of the work of the general contractor (once before rough inspection and once before final inspection). You will not be responsible for the review fee and related costs if our designated general contractor acts as your general contractor. Except for the POS System and general contractor services, we and our affiliates are not designated suppliers for any products at this time. Occasionally, as an accommodation to our franchisees, we may allow the franchisee to purchase items through us. 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 do not currently require that you purchase any products from approved suppliers and 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, 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**

Our officers own an interest in our affiliates, Massage Green Distributing, Inc., and MG Construction Pros, LLC, which may supply products or services to you.

We and our affiliates may negotiate purchase arrangements with suppliers for the benefit of franchisees.

We and our affiliates have the right to receive rebates, commissions, dividends, distributions or other fees, discounts or payments from designated and approved suppliers or other providers of products or services based on sales of products or services to our franchisees. You agree that we and our affiliates will have the right to collect all supplier payments and to use the supplier payments for any purpose in our sole discretion. You agree to cooperate with us and our affiliates in the collection of supplier payments. We currently have an arrangement to receive a rebate from our POS system supplier. The rebate is \$85.00 per month for each franchisee using the POS system. Those amounts are used to help cover the costs of our annual convention. As of the date of this Disclosure Document, we do not have any other arrangements to receive rebates or fees from any suppliers to our franchisees.

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

You must only use equipment and software in your business 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 letter of intent and your lease for your franchise location must be approved by us. Unless agreed otherwise by us, the initial term of your lease and each renewal term must not exceed five years and the combination of the initial term and the renewal terms must be equal to or greater than the term of the Franchise Agreement. Also, you and your landlord must sign a lease addendum acknowledging certain rights we have under the Franchise Agreement that relate to your lease. A copy of our standard Lease Addendum is attached to the Franchise Agreement as Exhibit FA 6. 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 construction of your Franchised Location. You must not make any changes to the design, build-out, or decoration of your Franchised Location without our prior written consent. You must not display holiday, seasonal, and/or any other decorations or displays at your Franchised Location unless specifically authorized by us in writing.

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, contributions to the annual convention fund, etc. Also, if we or our affiliates directly supply products or services to you, we will derive revenue. In the year ending December 31, 2017, our total revenue in connection with the sale or lease of goods and services to our franchisees was \$241,881, which was 12.24% of our total revenue of \$1,978,684. Our affiliate, MG Construction, had revenue of \$294,385 as a result of the sale of construction services to our franchisees in the fiscal year ending December 31, 2017.

### **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.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the Franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this 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, 9.2(d), 9.2(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, 9.2(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 3.7, 5.1, 8.2, 9.4, 11.3, 11.4, 11.6, 12.7, 15.6, 16.2, 17.2, 18.1(b), 19.3 and 21.1; 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                                      |

| <b>Obligations</b>                                     | <b>Section In Agreement</b>                                                      | <b>Item In Franchise Disclosure Document</b> |
|--------------------------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------|
| h. Trademarks and proprietary information              | FA Section 13.1 through 13.10, 13.14, 13.16, 13.18 through 13.20, 14 and 18.5(c) | Items 13 and 14                              |
| i. Restrictions on products/services offered           | FA Sections 1.3, 9.2(d), and 12.2 through 12.6                                   | Items 8, 11, and 16                          |
| j. Warranty and customer service requirements          | FA Section 9.2, 9.3 and 9.4                                                      | 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                                      |
| l. Ongoing product/service purchases                   | FA Sections 1.3, 4.4, 9.2(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 9.2(g)                                                  | Items 6, 7 and 8                             |
| n. Insurance                                           | FA Sections 21.1 and 21.2                                                        | Items 7 and 8                                |
| o. Advertising                                         | FA Sections 9.2(n), 11.1 through 11.11, 13.12 and 14.8                           | 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, 9.2(c), 19.1 and 24.1(a)                         | Items 11 and 15                              |
| r. Records and reports                                 | FA Sections 4.4, 14.2, 15.1 through 15.7, and 21.4                               | Items 6, 8, 14 and 17                        |
| s. Inspections and audits                              | FA Sections 4.4, 4.5, 5.2, 9.2(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                                               | Item 17                                      |
| u. Renewal                                             | FA Sections 17.2 and 17.3                                                        | Item 17                                      |
| v. Post-termination obligations                        | FA Sections 18.3 through 18.14, 20.2, and 20.3                                   | 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 22.6                                                    | Item 17                                      |

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

**Except as listed below, 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 FA 1 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. We do not own the premises and then lease it to the franchisee. 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. 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 at all reasonable times before opening (See Section 5.2 of the Franchise Agreement). You will only be allowed to begin the Initial Training Program after your Franchise Agreement is signed, your location is secured, and your lease is signed. You must provide us with written notice that you are ready to start the Initial Training Program at least 30 days in advance of the time you desire to begin the Initial Training Program. We do not guaranty that you will be able to start training after the 30 day period, but we will use reasonable efforts to schedule you for the Initial Training Program as soon as possible after the 30 day period. You must complete the Initial Training Program at least 30 days before you commence construction of your Franchised Store. 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 one

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. We also will provide one person to conduct five days of on-site training at your Franchised Store, at a mutually agreed time at or around opening, to assist you in the opening of your Franchised Store. However, we will not be required to provide on-site training at your Franchised Store if you or an owner or affiliate has previously operated or is currently operating a Franchised Store. We, in our sole discretion, may inspect the Franchised Location prior to opening at all reasonable times. At least 30 days before the projected Opening Date of your Franchised Store, you must request that we perform our final inspection. You must open your 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 our final inspection is performed and written approval is given at our sole discretion. 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, and you or a trained manager is present at the Franchised Store. Our trainers will not provide training or stay on-site if you or a trained manager is not present at the Franchised Store. We will not book the travel for the training until you notify us in writing that you are ready to open. However, we will go through a ready to open checklist a day or two before the trainer is scheduled to travel. If you are not ready to open, we will have to reschedule the trainer's travel and you will have to pay the expense of rescheduling, which may include cancellation fees. If it appears you are ready to open, but 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. We will not deliver or install any items for you. (See Sections 6.1, 9.2(d), 12.2, 12.4, 12.5 and 12.6 of the Franchise Agreement).

6. We will loan you one copy of the Manual during the Initial Training Program. The Manual 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 D. The total number of pages in the Manual is 151

pages. Also attached as part of Exhibit D is a Holiday List, which discloses the holidays on which Franchised Stores must be open and on which our corporate offices will be open under our current specifications.

**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 Spa 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 90 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 Spa 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 Spa Products. (See Sections 8.1 and 9.3 of the Franchise Agreement).

### **Marketing and Promotions:**

1. We may, at our sole discretion, set advertising policies and procedures that you must follow. These policies and procedures may include recommend specific advertising strategy, promotional programs, copy, media selection, and timing requirements.

2. 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).

3. 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).

4. 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. You must provide documentation to us, at the times and in the form and manner specified by us, to prove that you have spent the required monthly amount for local advertising. If you do not timely provide the documentation, or do not spend the required minimum amount on local advertising, you must pay the amount not satisfactorily documented or not spent to us on demand. These funds will used, in our discretion, for local advertising and promotion for you. In addition, you must pay an administrative fee to us equal to 10% of the amount not satisfactorily documented or not spent. (See Sections 11.1, 11.2, 11.3, and 11.4 of the Franchise Agreement).

5. We have the authority to require Local Advertising Cooperatives to be formed, changed, dissolved, or merged. If your Franchised Store is within the area of a Local Advertising Cooperative designated by us, 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. If the members of the Cooperative do not adopt and sign an agreement within 30 days after we designate an area for a Local Advertising Cooperative, the members of the Cooperative must adopt and sign our then current recommended Local Advertising Cooperative Agreement. A copy of our current recommended Local Advertising Cooperative Agreement is attached as Exhibit E. 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 make contributions to the Local Advertising Cooperative at the times and in the manner as 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). We currently have an advertising cooperative for Franchised Stores in Michigan. The Michigan cooperative is controlled by our affiliates because our affiliates own the majority of the Franchised Stores in the area. The Michigan advertising cooperative currently requires a \$2,200 per month contribution, which is used to prepare and place advertising in the area.

6. 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. The National Advertising Fees paid by you are in addition to and will not be reduced by local advertising expenses and Local Advertising Cooperative expenses paid by you. 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. The National Advertising Fund will be spent on advertising, promotion and marketing of Massage Green Spa Products and Franchised Stores as determined by us, including, without limitation, the production and placement of advertising, the creation, maintenance, and administration of electronic media and digital marketing, the creation, maintenance and administration of computer and software tools, the creation, maintenance, and administration of Cross Global and membership transfer programs, and related 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).

7. Except for grand opening advertising, you will not be required to spend more than the greater of 5% of Gross Sales or \$3,000 per month for combined local advertising

expense, Local Advertising Cooperative, and National Advertising Fees. We will have the right, in our sole discretion, to specify the portion of the total required advertising expenditure allocated to local advertising expense, Local Advertising Cooperative, and National Advertising Fee and we may allocate the entire required advertising expenditure to National Advertising Fees.

8. As used in the Franchise Agreement: (a) "Electronic Media" means the Internet, email addresses, Internet domain names, homepages, electronic addresses, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, or other social media accounts or participations (including but not limited to Facebook, Twitter, LinkedIn, YouTube, Pinterest, and Instagram), and other digital media (such as mobile phones—SMS and MMS); and (b) "Digital Marketing" means the marketing of products and services using digital technologies, including digital coupons, search engine optimization, search engine marketing, social media optimization, social media marketing, email marketing, mobile phone marketing, email marketing, and marketing using other forms of digital media. The use of Electronic Media and Digital Marketing in connection with the operation, advertising, and marketing of your Franchised Store are subject to the trademark, advertising, marketing, and other requirements of the Franchise Agreement and the Manual. You are prohibited from using any Electronic Media or Digital Marketing in connection with your Franchised Store, except with our written consent and then only in accordance with our policies and procedures. We reserve the right to control all Electronic Media and Digital Marketing used to promote Franchised Stores and/or associated with the Proprietary Marks and may require you to only use Electronic Media and Digital Marketing through central accounts established by us. (See Section 11.11 of the Franchise Agreement).

9. We have not initiated the National Advertising Fund and we did not collect advertising fund payments during 2017. 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 2017.

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

1. You must purchase the POS System, including hardware and software, that we specify for your Franchised Store from a supplier we will designate, which may be us or a company affiliated with us. (See Section 4.4 of the Franchise Agreement).

We currently specify a POS System that includes three PC computer workstations and web-based 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 System. 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 System 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. You must pay all required costs, license fees, service fees, set-up fees, monthly use and support fees, and other support, maintenance, update, and upgrade costs to use and maintain the POS System in the manner specified by us. The POS System may be supplied by us or through us under an arrangement with the supplier of the POS System. If the POS System is supplied by or through us, we will set the fees payable for use and support of the POS System and those fees must be paid to us. You must pay any amounts owed to us in connection with the POS System in the manner and at the times specified by us. (See Section 4.4 of the Franchise Agreement). Our estimate of the cost of the POS System hardware is approximately \$1,050 to \$1,500. Also, you must pay a monthly fee of \$300 per month fee in connection with the POS System. 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 D to this Franchise Disclosure Document is a copy of the table of contents of our Manual. The Manual and all other written franchise materials will be delivered to you during the Initial Training Program.

### **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 FA 1 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.

3. You must obtain our prior written approval of a proposed location, which we will grant in our sole discretion, before executing any lease or purchase agreement for the proposed location. Unless otherwise agreed to in writing by us, any lease for your location must: (a) provide for notice to us of, and our right, but not our obligation, to cure, your default under the lease or sublease; (b) provide for your right to assign your interest under the lease or sublease to us, and our right, but not our obligation, to succeed in your rights under the lease if you default or otherwise terminate the lease, without the lessor's or sublessor's consent; (c) include the right to reassign to your successor, including, without limitation, us or our parent or Affiliate, or another franchisee, without lessor's or sublessor's consent; (d) provide that we will not be obligated to pay any monies due to the lessor or sublessor from the Franchisee; and (e) other reasonable terms as we may require. Unless otherwise agreed in writing, you must deliver to us an executed lease or purchase agreement for the proposed location within 180 days after the signing of the Franchise Agreement. The signed lease or purchase agreement must provide that it is subject to our approval, in our sole discretion. The proposed location must not be in the territory of another franchisee. We will then have

10 days to approve or disapprove the executed lease or purchase agreement and we will notify you in writing of our decision. If the executed lease or purchase agreement is not approved by us in writing, you will have an additional period of 10 days from the date of disapproval to provide an alternative executed lease or purchase agreement, subject to the same terms and conditions described in this paragraph. If you fail to deliver to us an executed lease or purchase agreement that is approved by us within the 180 day time period or, if applicable, the additional 10 day period, we may terminate the Franchise Agreement. However, if you anticipate that you will not obtain a site within the applicable period, you may obtain a six-month extension of the deadline. In order to obtain the extension, you must, no later than 30 days before the end of the applicable period: (a) notify us in writing that you intend to extend the deadline; and (b) pay us a nonrefundable fee of \$5,000 for the extension. You may not obtain more than one six-month extension of this deadline. If the lease is approved by us before being signed by all parties to the lease, you must provide a signed copy of the lease to us within 5 days after the lease is fully signed. 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).

4. If you enter into a Multi-Unit Addendum with us, we must approve the site for each franchise developed by you under the Multi-Unit Addendum. Our approval of each site will be based on our then-current standards for sites. Except for the opening date for each unit you are required to open under the Multi-Unit Addendum, all site selection and opening requirements and procedures are governed by the terms of the Franchise Agreements you sign in connection with the Multi-Unit Addendum.

#### **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. You must open your Franchised Store within one year of signing the Franchise Agreement. If you fail to open your Franchised Store within the one year period, we may terminate the Franchise Agreement. We may extend the time in which you have to open your Franchised Store for a reasonable period of time if factors beyond your reasonable control prevent you from opening within one year, as long as you have made reasonable and continuing efforts to comply with your opening obligations and you request, in writing, an extension of time in which to open your Franchised Store before the end of the one year period.

#### **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

| Subject                                    | Hours of Classroom Training | Hours of On-the-Job Training | Location                                                                             |
|--------------------------------------------|-----------------------------|------------------------------|--------------------------------------------------------------------------------------|
| Operations                                 | 2 to 3 hours                | 36 to 51 hours               | A designated Massage Green Spa location, our offices or another location in the U.S. |
| Marketing                                  | 2 to 3 hours                | 2 to 3 hours                 | A designated Massage Green Spa location, our offices or another location in the U.S. |
| Administration                             | 2 to 3 hours                | 2 to 3 hours                 | A designated Massage Green Spa location, our offices or another location in the U.S. |
| Human Resources                            | 2 to 3 hours                | 2 to 3 hours                 | A designated Massage Green Spa location, our offices or another location in the U.S. |
| Training for the Massage Green Spa Program | 2 to 3 hours                | 35 to 50 hours               | A designated Massage Green Spa location, our offices or another location in the U.S. |

Training for all subjects will take place at a Massage Green Spa location designated by us, our corporate headquarters in Birmingham, Michigan 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 will only be allowed to begin the Initial Training Program after your Franchise Agreement is signed, your location is secured, and your lease is signed. You must provide us with written notice that you are ready to start the Initial Training Program at least 30 days in advance of the time you desire to begin the Initial Training Program. We do not guaranty that you will be able to start training after the 30 day period, but we will use reasonable efforts to schedule you for the Initial Training Program as soon as possible after the 30 day period. You must complete the Initial Training Program at least 30 days before you commence construction of your Franchised Store. We may require any of your employees that attend the Initial Training Program to sign an agreement relating to confidentiality and/or non-competition in a form approved by us before we will allow those employees to begin the Initial Training Program. See Exhibit F to this Disclosure Document.

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. Jessica Mallad is in charge of the training program and the training staff. Ms. Mallad has worked with us since January 2014 and in the industry since January 2014. 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. If you fail to attend required additional training without our consent, you will be charged a non-compliance fee of \$1,000.

We will generally train you or your Manager. You will be responsible for training all of your other employees and for ensuring your employees comply with all the operating standards that are part of the System or otherwise specified by us. You must establish and maintain a continual program of training for your employees in accordance with our specifications.

**Services May be Provided by Area Developer:**

If there is an area developer in the area in which your Franchised Store is located, the area developer may be responsible for performing some or all of the obligations described above that would otherwise be performed by us, including training, on-site assistance and operations support.

**ITEM 12  
TERRITORY**

You will receive a territory around your Franchised Location. Generally, and unless otherwise specified in Exhibit FA 1 of the Franchise Agreement, your territory will be the geographic area within a three mile radius of your Franchised. If a different territory is specified in Exhibit FA 1 of your Franchise Agreement, that territory may be described in terms of a radius.

around your Franchised Location or by use of streets or natural borders. A different territory may be specified if we believe the population density, level of competition, income levels, or traffic patterns are materially different than the usual situation. For example, a Franchised Store in a major metropolitan area may be granted a much smaller territory. 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 (you will not be required to pay a relocation fee if, at your landlord's request, you move to a new location within the same shopping center). 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 Spa 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 your 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®** Spa 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®** Spa Store. Actual results vary from unit to unit and we cannot estimate the result of any particular franchise.

As noted in Item 1, our affiliate, Red Effect, authorizes others to operate Red Effect Infrared Fitness Studios. A Red Effect Infrared Fitness Studio business is not similar to a **MASSAGE GREEN®** Spa Store, but both businesses offer infrared sauna services. It is possible that Red Effect Infrared Fitness Studios could be operated in your territory by Red Effect or its affiliates or franchisees. Also, Red Effect Infrared Fitness Studios operated by Red Effect or its affiliates or franchisees could solicit or service customers from your territory. Also as noted in Item 1, our affiliate, Stretch Smart, intends to operate and authorize others to operate Stretch Smart Infrared Therapy Centers in the future. We don't think a Stretch Smart Infrared Therapy Center business is similar to a **MASSAGE GREEN®** Spa Store, but both businesses offer infrared sauna services and, although massage and stretching are different wellness and therapy techniques, they may compete for the same customers. It is possible that Stretch Smart Infrared Therapy Centers could be operated in your territory by Stretch Smart or its affiliates or franchisees. Also, Stretch Smart Infrared Therapy Centers operated by Stretch Smart or its affiliates or franchisees could solicit or service customers from your territory. We are not required to resolve any conflicts between us and our franchisees or between franchisees in each franchise system regarding territory, customers and franchisor support. If we choose to resolve any conflicts of this nature, we will do so in our reasonable business judgment and in our sole discretion. The principal business address of Red Effect and Stretch Smart is the same as our principal business address, but Red Effect and Stretch Smart intend to maintain training facilities that are physically separate from our training facilities.

Except as described above regarding Red Effect Infrared Fitness Studios and Stretch Smart Infrared Therapy Centers, 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 three-mile territory. You may engage only in the retail sale of the Massage Green Spa Products and other products and services periodically designated by Massage Green and may not engage in the wholesale sales of the Massage Green Spa 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.

### **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. Our affiliate, Massage Holding, owns the Proprietary Marks. Massage Holding has granted us an exclusive, royalty-free license to use the Proprietary Marks in connection with the franchising of Massage Green Stores (the "Trademark License"). The license is dated April 30, 2012. The term of the license is perpetual. If the license is terminated, our franchisees have the right to continue to use the Proprietary Marks during the term of their franchise agreements including renewals of those

agreements. Except for normal quality control and trademark marking requirements, the license does not place limitations on our use and sublicensing of the Proprietary Marks.

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                                        |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| <i>Massage Green</i> ®  | Registration on the Principal Register of the USPTO for use on or in connection with "massage services."                                                   | Registration Date: June 23, 2009<br>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<br>Registration No. 3656131     |
| <b>A LUXURY EVERYONE CAN AFFORD®</b>                                                                     | Registration on the Principal Register of the USPTO for use on or in connection with "health spa services for health and wellness of the body and spirit." | Registration Date: December 24, 2013<br>Registration No. 4454818 |

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®** Spa 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®**" 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, including the method of preparing and providing the Massage Green Spa 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).

We own all records with respect to the customers, employees, and other service professionals of, and/or related to, the Franchised Store, 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). 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 that 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. This agreement must be in a form approved by us and we have the right to be a third-party beneficiary of that agreement with independent enforcement rights. Attached as Exhibit F is a form of Confidentiality and Noncompetition Agreement approved by us for use by our franchisees. We provide this form as an example of the form of agreement acceptable to us; however, we do not represent or suggest that this is the appropriate form for use by you or that the form complies with the applicable laws in your jurisdiction. You should have any employee confidentiality and/or noncompetition agreement forms you intend to use reviewed by your attorney to ensure the form provides you with the protections that you desire and that the form complies with the applicable laws in your jurisdiction.

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

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. A person who previously successfully completed our Initial Training Program but has not worked for a Massage Green Spa Store for a period of six months or more, must attend the initial training program again before we will approve that person as a Manager for the Franchised Store. Your Franchised Store must be open and fully operational from 9:00 a.m. to 9 p.m. (See Section 9.2(c) of the Franchise Agreement). Your Franchised Store will only be considered "open and fully operational" when the Franchised Store is open to the public, fully staffed, and ready and able at the time to provide all products and services offered by the Franchised Store. 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.

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

You must sell at the Franchised Store all types of the products and services included in the Massage Green Spa 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 Spa Products or offering these products via mail order, phone sales or over the internet (See Section 1.1 of the Franchise Agreement). We have the right in our sole discretion to authorize one or more Franchised Stores to test market products, services, suppliers, or other items on a non-uniform basis. You are not required to disclose or grant to you a like or similar variation in our standards and specifications (See Section 12.10 of the Franchise Agreement).

**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.**

| <b>Provision</b>                                   | <b>Section In The Franchise Agreement</b>                | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 not received two or more notices of default within last five years, 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; Section 4 of Multi-Unit Addendum | Massage Green may terminate the Franchise Agreement if you default.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| g. "Cause" defined- defaults which can be cured    | Section 18.2; Section 4 of Multi-Unit Addendum           | 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. A default by your affiliate under any other agreement with us or our affiliates will also constitute a default under your franchise agreement. If you fail to comply with the store opening schedule under a Multi-Unit Addendum, we may terminate the Franchise Agreements for units you have not opened if you fail to cure the default within 30 days of notice from us; and we will not have the right to terminate any Franchise Agreements for units you have opened. |
| h. "Cause" defined- defaults which cannot be cured | Section 18.1; Section 4 of Multi-Unit Addendum           | 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Provision | Section In The Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           |                                    | <p>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 10 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; 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. If you fail to comply with the store opening schedule under a Multi-Unit Addendum, the Multi-Unit Addendum will automatically terminate.</p> |

| <b>Provision</b>                                                 | <b>Section In The Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. Your obligation on termination/non-renewal                    | Section 18.5                              | 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; cease using and assign to us all telephone numbers and listings and electronic media; comply 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. |
| j. Assignment of contract by Massage Green                       | Section 16.6                              | No restrictions on Massage Green's right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| k. "Transfer" by you definition                                  | Sections 16.1 and 16.5                    | Includes a transfer of assets, all rights under the contract, or change of ownership.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 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                | Sections 18.3 and 18.4                    | On expiration or termination, Massage Green has the option but not the obligation to take an assignment of your lease and to purchase the personal property of your Franchised Store, which may include, at our option, your interest, if any, in and to leasehold improvements, fixtures, equipment, and all supplies and inventory at the then-current fair market value.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| <b>Provision</b>                                                          | <b>Section In The Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 other related written agreements are binding (subject to applicable state law—see Exhibit J). Notwithstanding the foregoing, nothing in any Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.                                   |
| u. Dispute resolution by arbitration or mediation                         | None                                      |                                                                                                                                                                                                                                                                                                                                                 |
| v. Choice of forum                                                        | Sections 22.2                             | Litigation 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 22.1                              | Michigan law applies to the Franchise Agreement (subject to applicable state law—see Exhibit J).                                                                                                                                                                                                                                                |

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote the sale of **MASSAGE GREEN®** Spa 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Bob Vendittelli at 2254 Cole Street, Suite E, Birmingham, Michigan 48009 or [allie@massagegreenspa.com](mailto:allie@massagegreenspa.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 2015 to 2017

| Outlet Type   | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|---------------|------|----------------------------------|--------------------------------|------------|
| Franchised    | 2015 | 33                               | 53                             | +20        |
|               | 2016 | 53                               | 70                             | +17        |
|               | 2017 | 70                               | 59                             | -11        |
| Company-Owned | 2015 | 28                               | 32                             | +4         |
|               | 2016 | 32                               | 13                             | -19        |
|               | 2017 | 13                               | 12                             | -1         |
| Total Outlets | 2015 | 61                               | 85                             | +24        |
|               | 2016 | 85                               | 83                             | -2         |
|               | 2017 | 83                               | 71                             | -12        |

**Table No. 2**  
**Transfers of Outlets From Franchisees to New Owners**  
**(Other than the Franchisor or an Affiliate)**  
**For Years 2015 to 2017**

| State         | Year        | Number of Transfers |
|---------------|-------------|---------------------|
| California    | 2015        | 2                   |
|               | 2016        | 1                   |
|               | 2017        | 0                   |
| Colorado      | 2015        | 2                   |
|               | 2016        | 0                   |
|               | 2017        | 2                   |
| Michigan      | 2015        | 1                   |
|               | 2016        | 0                   |
|               | 2017        | 3                   |
| Texas         | 2015        | 0                   |
|               | 2016        | 1                   |
|               | 2017        | 0                   |
| <b>Totals</b> | <b>2015</b> | <b>5</b>            |
|               | <b>2016</b> | <b>2</b>            |
|               | <b>2017</b> | <b>5</b>            |

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2015 to 2017**

| 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 |
|-------------|------|--------------------------|----------------|--------------|--------------|---------------------------|---------------------------------|------------------------|
| Arizona     | 2015 | 1                        | 1              | 0            | 0            | 0                         | 0                               | 2                      |
|             | 2016 | 2                        | 1              | 0            | 0            | 0                         | 0                               | 3                      |
|             | 2017 | 3                        | 0              | 0            | 0            | 0                         | 1                               | 2                      |
| California  | 2015 | 14                       | 6              | 0            | 0            | 0 <sup>(1)</sup>          | 0                               | 20                     |
|             | 2016 | 20                       | 1              | 0            | 0            | 0                         | 2                               | 19                     |
|             | 2017 | 19                       | 0              | 3            | 0            | 3                         | 1                               | 12                     |
| Colorado    | 2015 | 3                        | 2              | 0            | 0            | 0                         | 0                               | 5                      |
|             | 2016 | 5                        | 2              | 0            | 0            | 0                         | 0                               | 7                      |
|             | 2017 | 7                        | 0              | 0            | 0            | 0                         | 1                               | 6                      |
| Connecticut | 2015 | 0                        | 1              | 0            | 0            | 0                         | 0                               | 1                      |
|             | 2016 | 1                        | 1              | 0            | 0            | 0                         | 0                               | 2                      |
|             | 2017 | 2                        | 0              | 0            | 0            | 0                         | 0                               | 2                      |
| Florida     | 2015 | 4                        | 5              | 0            | 0            | 0                         | 0                               | 9                      |
|             | 2016 | 9                        | 4              | 0            | 0            | 0                         | 1                               | 12                     |
|             | 2017 | 12                       | 3              | 0            | 0            | 0                         | 3                               | 12                     |

| 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 |
|---------------|-------------|--------------------------|----------------|--------------|--------------|---------------------------|----------------------------------|------------------------|
| Illinois      | 2015        | 0                        | 1              | 0            | 0            | 0                         | 0                                | 1                      |
|               | 2016        | 1                        | 2              | 0            | 0            | 0                         | 0                                | 3                      |
|               | 2017        | 3                        | 0              | 2            | 0            | 0                         | 1                                | 0                      |
| Michigan      | 2015        | 6                        | 1              | 0            | 0            | 0                         | 0                                | 7                      |
|               | 2016        | 7                        | 6              | 0            | 0            | 0                         | 0                                | 13                     |
|               | 2017        | 13                       | 1              | 0            | 0            | 0                         | 0                                | 14                     |
| Ohio          | 2015        | 0                        | 2              | 0            | 0            | 0                         | 0                                | 2                      |
|               | 2016        | 2                        | 0              | 0            | 0            | 0                         | 0                                | 2                      |
|               | 2017        | 2                        | 0              | 0            | 0            | 0                         | 0                                | 2                      |
| Texas         | 2015        | 3                        | 1              | 0            | 0            | 2                         | 0                                | 2                      |
|               | 2016        | 2                        | 1              | 0            | 0            | 0                         | 0                                | 3                      |
|               | 2017        | 3                        | 1              | 0            | 0            | 0                         | 0                                | 4                      |
| Utah          | 2015        | 0                        | 2              | 0            | 0            | 0                         | 0                                | 2                      |
|               | 2016        | 2                        | 1              | 0            | 0            | 0                         | 0                                | 3                      |
|               | 2017        | 3                        | 0              | 0            | 0            | 0                         | 0                                | 3                      |
| Virginia      | 2015        | 1                        | 0              | 0            | 0            | 0                         | 0                                | 1                      |
|               | 2016        | 1                        | 1              | 0            | 0            | 0                         | 0                                | 2                      |
|               | 2017        | 2                        | 0              | 0            | 0            | 0                         | 0                                | 2                      |
| Washington    | 2015        | 1                        | 0              | 0            | 0            | 0 <sup>(2)</sup>          | 1                                | 0                      |
|               | 2016        | 0                        | 0              | 0            | 0            | 0                         | 0                                | 0                      |
|               | 2017        | 0                        | 0              | 0            | 0            | 0                         | 0                                | 0                      |
| Wisconsin     | 2015        | 0                        | 1              | 0            | 0            | 0                         | 0                                | 1                      |
|               | 2016        | 1                        | 0              | 0            | 0            | 0                         | 0                                | 1                      |
|               | 2017        | 1                        | 0              | 0            | 0            | 0                         | 1                                | 0                      |
| <b>Totals</b> | <b>2015</b> | <b>33</b>                | <b>23</b>      | <b>0</b>     | <b>0</b>     | <b>2</b>                  | <b>1</b>                         | <b>53</b>              |
|               | <b>2016</b> | <b>53</b>                | <b>20</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>                  | <b>3</b>                         | <b>70</b>              |
|               | <b>2017</b> | <b>70</b>                | <b>5</b>       | <b>5</b>     | <b>0</b>     | <b>3</b>                  | <b>8</b>                         | <b>59</b>              |

- (1) In 2015, affiliates of the franchisor re-acquired 4 franchises in California from a franchisee. These re-acquisitions are not reflected in the table because the outlets were not open.
- (2) In 2015, an affiliate of the franchisor re-acquired 1 franchise in Washington from a franchisee. This re-acquisition is not reflected in the table because the outlet was not open.

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2015 to 2017**

| 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    | 2015        | 3                        | 0              | 0                                  | 1              | 0                          | 2                          |
|               | 2016        | 2                        | 0              | 0                                  | 0              | 1                          | 1                          |
|               | 2017        | 1                        | 0              | 3                                  | 1              | 0                          | 3                          |
| Florida       | 2015        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|               | 2016        | 1                        | 0              | 0                                  | 1              | 0                          | 0                          |
|               | 2017        | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
| Illinois      | 2015        | 2                        | 0              | 0                                  | 0              | 1                          | 1                          |
|               | 2016        | 1                        | 0              | 0                                  | 0              | 1                          | 0                          |
|               | 2017        | 0                        | 0              | 0                                  | 0              | 0                          | 0                          |
| Michigan      | 2015        | 21                       | 5              | 0                                  | 0              | 1                          | 25                         |
|               | 2016        | 25                       | 0              | 0                                  | 9              | 5                          | 11                         |
|               | 2017        | 11                       | 0              | 0                                  | 2              | 1                          | 8                          |
| Texas         | 2015        | 1                        | 0              | 2                                  | 0              | 0                          | 3                          |
|               | 2016        | 3                        | 0              | 0                                  | 2              | 0                          | 1                          |
|               | 2017        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
| <b>Totals</b> | <b>2015</b> | <b>28</b>                | <b>5</b>       | <b>2</b>                           | <b>1</b>       | <b>2</b>                   | <b>32</b>                  |
|               | <b>2016</b> | <b>32</b>                | <b>0</b>       | <b>0</b>                           | <b>12</b>      | <b>7</b>                   | <b>13</b>                  |
|               | <b>2017</b> | <b>13</b>                | <b>0</b>       | <b>3</b>                           | <b>3</b>       | <b>1</b>                   | <b>12</b>                  |

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

**Table No. 5**  
**Projected Openings as of December 31, 2017**

| 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 |
|---------------|-------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|
| Arizona       | 1                                                     | 2                                                       | 0                                                          |
| California    | 22                                                    | 3                                                       | 0                                                          |
| Colorado      | 5                                                     | 0                                                       | 0                                                          |
| Connecticut   | 7                                                     | 0                                                       | 0                                                          |
| Florida       | 11                                                    | 1                                                       | 0                                                          |
| Nebraska      | 1                                                     | 0                                                       | 0                                                          |
| Ohio          | 2                                                     | 0                                                       | 0                                                          |
| Texas         | 2                                                     | 0                                                       | 0                                                          |
| Utah          | 3                                                     | 0                                                       | 0                                                          |
| Virginia      | 1                                                     | 0                                                       | 0                                                          |
| <b>Totals</b> | <b>54</b>                                             | <b>4</b>                                                | <b>0</b>                                                   |

The information in the tables in this Item 20 is as of December 31st of each year. The information in the attached list of Stores (Exhibit G) is as of March 22, 2018, so the information in Exhibit G will not match exactly the information in the tables.

The names, addresses and telephone numbers of all Massage Green franchisees as of March 22, 2018 are listed on Exhibit G. A list of the name, city and state, and current business telephone number, or if unknown, the last known 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 2017 or who has not communicated with us within ten weeks of the Disclosure Document issuance date is attached as Exhibit H. 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 fiscal year end is December 31<sup>st</sup>. Our financial statements listed below are attached as Exhibit I.

- Audited Balance Sheets as of December 31, 2017, 2016 and 2015 and the related statements of Operations and Cash Flows for the years ending December 31, 2017, 2016 and 2015.

## **ITEM 22 CONTRACTS**

The following contracts are attached to this Franchise Disclosure Document:

- Exhibit A—Franchise Agreement (FA)
  - Exhibit FA 1—Addendum to Franchise Agreement
  - Exhibit FA 2—Guaranty and Assumption of Franchisee's Obligations
  - Exhibit FA 3—Legal Entity Form
  - Exhibit FA 4—Authorization for Electronic Debits
  - Exhibit FA 5—Collateral Assignment of Telephone Numbers, Telephone Listings and Domain Names

- Exhibit FA 6—Form of Lease Addendum
- Exhibit FA 7—Collateral Assignment of Lease
- Exhibit FA 8—Disclosure Acknowledgement Statement
- Exhibit B—Multi-Unit Addendum to Franchise Agreements
- Exhibit D—Confidentiality and Non-Competition Agreement
- Exhibit E—Local Advertising Cooperative Agreement
- 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**



**MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.**

**FRANCHISE AGREEMENT**

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

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

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

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**EXHIBITS:**

- FA 1    Addendum to Massage Green International Franchise Corp. Franchise Agreement
- FA 2    Guaranty and Assumption of Franchisee's Obligations
- FA 3    Legal Entity Form
- FA 4    Authorization Agreement for Prearranged Payments
- FA 5    Collateral Assignment of Telephone Numbers, Telephone Listings,  
          and Domain Names
- FA 6    Form of Lease Addendum
- FA 7    Collateral Assignment of Lease
- FA 8    Disclosure Acknowledgement Statement

# MASSAGE GREEN® INTERNATIONAL FRANCHISE CORP.

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MASSAGE GREEN INTERNATIONAL FRANCHISE CORP., a Michigan corporation, located at 2254 Cole Street, Suite E, Birmingham, Michigan 48009 ("Franchisor") and \_\_\_\_\_ at \_\_\_\_\_ ("Franchisee").

### RECITALS

**WHEREAS**, Franchisor, with the help of its Affiliates (defined in Section 23.16 below), including Massage Green Holdings Inc. ("MGH"), 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 massage therapy, infrared sauna therapy, facial therapy, day spa services at some locations (e.g. manicures and pedicures), 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 Spa 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 Spa Products; (v) the confidential Operations Manual, defined in Section 7.1 below; (vi) the Massage Green Spa Products; (vii) operating procedures for sanitation and maintenance; and (viii) methods and techniques for inventory and cost controls, record keeping and reporting, 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®** 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 Spa Products, operations, appearance and service;

**WHEREAS**, Franchisor grants franchises to own and operate Franchised Stores offering massage therapy, infrared sauna therapy, facial therapy, day spa services at some locations (e.g. manicures and pedicures), 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®** Spa 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, Franchisor grants to Franchisee, and Franchisee accepts from 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 FA 1 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 Spa Products or offer such products via mail order, phone sales or over the internet. Franchisee agrees to use the Proprietary Marks and System, as they may be changed, and further developed by 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 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 Franchisor, which such approval or disapproval shall be at the sole discretion of Franchisor, even if Franchisee has satisfied all of the obligations set forth in Section 1.2. The Proprietary Marks and System are licensed to Franchisee solely for the operation of the Franchised Store only at the Franchised Location. Franchisee may not make any other use of the Proprietary Marks without the prior written consent of Franchisor, which such consent or rejection shall be at the sole discretion of 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) 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. Franchisee will not be required to pay a Relocation Fee if, at the Franchisee's landlord's request, Franchisee moves to a new location within the same shopping center.

1.3 Franchisee Acknowledgment. Franchisee agrees at all times to faithfully, honestly and diligently perform 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 Franchisee's obligations under this Agreement. 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 Franchisor, in its sole discretion, all of which are a part of the System. Franchisee's Franchised Store shall offer all products and services as Franchisor shall designate or require, which shall include, without limitation, retail services consisting of massage therapy, infrared sauna therapy, facial therapy, day spa services as some locations (e.g. manicures and pedicures), 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. Franchisee shall implement any additions or changes to the products and services offered by its Franchised Store as may be required by 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 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 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 Franchisor's reservation of rights as set forth in Section 2.3 below:

(a) Neither Franchisor nor any Affiliate of Franchisor will establish or license another Person (defined in Section 23.16 below) to establish a Franchised Store within the "Territory", except as permitted in Sections 2.2, 2.3 and 10.1 of this Agreement. Unless otherwise specified in Exhibit FA 1 to this Agreement, the Territory will be the area within a three (3) mile radius of the front door of the Franchised Location. Franchisor may specify a different Territory if Franchisor believes the population density, level of competition, income levels, or traffic patterns are materially different than the usual situation (for example, a Franchised Store in a major metropolitan area may be granted a much smaller Territory).

(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 Spa Products; and (ii) to open, operate, sell, manage and/or license Franchised Stores outside the Territory. Franchisee acknowledges that an Affiliate of Franchisor operates and authorizes others to operate a business that offers fitness classes that combine infrared therapy and high intensity heart-rate based interval training in a group setting and may include up to two additional training programs (kickboxing, cycling, or yoga) under the Red Effect Infrared Fitness name ("Red Effect Infrared Fitness Studios") and that Franchisor and its Affiliates are not prohibited from operating or authorizing others to operate Red Effect Infrared Fitness Studios in the Territory. Franchisee also acknowledges that an Affiliate of Franchisor operates and intends to authorize others to operate a business that offers assisted stretching services combined with infrared therapy under the Stretch Smart Infrared Therapy name ("Stretch Smart Infrared Therapy Centers") and that Franchisor and its Affiliates are not prohibited from operating or authorizing others to operate Stretch Smart Infrared Therapy Centers in 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 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. Franchisee acknowledges that the franchise granted hereunder is non-exclusive and that 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 Franchisor or its Affiliates, or grant any rights to Franchisee: (i) with respect to the pursuit of any business concept other than Franchised Stores; or (ii) the distribution of Franchised Massage Green Spa 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. Franchisor retains the sole right to advertise on the Internet and create a web site including the name Massage Green or any variation thereof. 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 must approve in writing Franchisee's use of linking and framing between Franchisee's web pages and all other web sites. Franchisee shall, within five (5) days, dismantle any frames and links between Franchisee's web pages and any other web sites, if and as requested by Franchisor.



### 3 FEES

3.1 Initial Franchise Fee. Franchisee agrees to pay to Franchisor an initial franchise fee ("Initial Franchise Fee") in the amount set forth in Section 3 of Exhibit FA 1 to this Franchise Agreement. 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 Franchisor has earned the Initial Franchise Fee upon receipt thereof and that the fee is under no circumstances refundable to Franchisee after it is paid, unless otherwise specifically set forth herein, and the Initial Franchise Fee is paid to compensate Franchisor for various services provided to 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. Franchisee agrees to pay to Franchisor a weekly royalty ("Royalty Fee") equal to the greater of: (i) six percent (6%) of the total amount of its Gross Sales generated from or through its Franchised Store during the preceding calendar week; or (ii) \$300. As used in this Agreement, the term "Gross Sales" shall mean and include the gross revenue from all sales of Massage Green Spa 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 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 specified 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 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, Franchisor shall have the right to require that Royalty Fee payments be made by certified or cashier's checks. If 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, Franchisor reserves the right to require, in its sole discretion, that Franchisee pay the Royalty Fee more frequently than on a weekly basis.

3.4 Manner and Timing of Payment. Franchisee must allow Franchisor to automatically collect fees and other amounts payable to Franchisor or Franchisor's Affiliates or any applicable Local Advertising Cooperative under this Agreement or otherwise and to pay amounts payable to Franchisee under this Agreement or otherwise via preauthorized automatic electronic funds transfer or other similar means specified by Franchisor utilizing a computer system or other methods or systems specified by Franchisor. The amounts payable to Franchisor in this manner include, but are not limited to, royalties, advertising fees, late fees and interest, mystery shopper fees, annual convention fees, system standards fees, other amounts owed by Franchisee or its Affiliates to Franchisor and its Affiliates as provided in Section 3.8, software maintenance and support fees, Local Advertising Cooperative fees, Local Advertising Expenses not spent or not documented by Franchisee and related administrative fees, amounts payable in connection with Cross Global Programs (defined in Section 9.4), and fees and expenses due in connection with the failure to provide reports under Section 15, and Franchisor's costs of enforcement (including attorneys' fees) owed under Section 22.4. 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 FA 4 or such other form as Franchisor shall designate in its sole discretion) for direct debits from or credits to 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 entries to the Designated Accounts for payments of fees and other amounts payable to Franchisor or Franchisee 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 directly from the 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. Franchisee also agrees that all required payments to Franchisor must be made daily, weekly, monthly, or another interval, instead of as otherwise provided in this Agreement, if specified by Franchisor.

3.5 Mystery Shopper Fee. Franchisee shall pay a monthly mystery shopper fee to Franchisor in an amount specified by Franchisor (currently One Hundred Seventy Five Dollars (\$175.00) per month. This fee must be paid by the 5<sup>th</sup> day of each month and is not refundable. Franchisor will use the mystery shopper fees collected from Franchised Stores to administer and/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. Franchisor may use the fees collected from purposes reasonably related to this program, including, without limitation, paying the Franchisor or a third party a fee for administering this program and reimbursement to Franchisor for the costs of any Franchisor employees' time relating to administration of this program. 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 must pay a fee for attending the annual convention for each year that Franchisor conducts an annual convention. The fee for attending the annual convention will not exceed \$1,000 unless Franchisee agrees to a higher fee. If Franchisor announces that it is conducting an annual convention, Franchisee must register for the annual convention no later than 60 days before the date of the annual convention. If Franchisee timely registers for the annual convention, Franchisee will be charged the applicable fee for the annual convention, which will be paid on the date specified by Franchisor. If Franchisee does not timely register for the annual convention or registers and fails to attend the annual convention without Franchisor's consent, Franchisee will be charged a non-compliance fee of \$2,500, which will be paid on the date specified by Franchisor in the manner described in Section 3.4.

3.7 System Standards Fees. If Franchisee violates any of its obligations under this Agreement, including any failure to operate in accordance with this Agreement and the policies and standards in the Operations Manual or otherwise issued by Franchisor, Franchisor may assess a system standards fee in the amount of \$300 per occurrence. Franchisee must pay the system standards fee in the manner specified in Section 3.4 within seven days of receipt of notice from Franchisor. The system standards fee will apply for each notice sent to Franchisee, even if the failure involves the same provision of this Agreement for which Franchisee previously received a notice or is a continuing failure for which Franchisee previously received a notice. Imposition of a system standards fee will not be the sole remedy of Franchisor for any failure by Franchisee and Franchisor reserves all other rights and remedies.

3.8 Payment of Other Amounts Owed by Franchisee and its Affiliates. Franchisee must pay all additional amounts owed by Franchisee or any Affiliate of Franchisee to Franchisor and its Affiliates and any applicable Local Advertising Cooperatives on a timely basis. This includes, but is not limited to, amounts owed for goods and services provided by Franchisor and its Affiliates, amounts owed as a result of Cross Global Program reconciliations, amounts owed to any Local Advertising Cooperatives, or other miscellaneous amounts owed to Franchisor and its Affiliates or any applicable Local Advertising Cooperative. Those amounts must be paid by the due dates specified in this Agreement or other applicable agreement or as otherwise specified by Franchisor. Payments not paid when due will be subject to late charges and interest in the amounts specified in Section 3.3 or as otherwise specified in by Franchisor. Franchisee understands that under this Section Franchisor may charge Franchisee and may transfer payments from Franchisee's bank accounts (as provided in Section 3.4) for amounts Franchisee or its Affiliates may owe to Franchisor or its Affiliates or any applicable Local Advertising Cooperatives (including but not limited to amounts Franchisee's Affiliates may owe for royalty, advertising, Cross Global Reconciliations, Local Advertising Cooperatives, or other obligations under other franchise or other agreements between Franchisee's Affiliate and Franchisor or its Affiliates). Franchisor will only charge Franchisee for amounts owed by Franchisee's Affiliates if those amounts are not timely paid by the Affiliates.

#### 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 in writing by Franchisor pursuant to this Section. Once the address of the Franchised Location has been determined and approved, that address will be inserted by Franchisor in Section 4 of Exhibit FA 1. Franchisee shall obtain Franchisor's prior written approval of a proposed location, which is in Franchisor's sole discretion, before executing any letter of intent ("LOI"), lease or purchase agreement for the Franchised Location. Franchisee shall obtain Franchisor's prior written approval of the LOI before executing any LOI for the proposed location. Unless agreed otherwise by Franchisor, the initial term of the lease and each renewal term must not exceed five years and the combination of the initial term and the renewal terms must be equal to or greater than the term of this Agreement. As a condition to approval of the lease for the Franchised Location, the lease must contain the provisions included in the form of Addendum to Lease attached to this Agreement as Exhibit FA 6 (except to the extent Franchisor agrees to waive any of the provisions) and other provisions reasonably specified by Franchisor. In addition, as a condition to approval of the lease, Franchisee must execute a Collateral Assignment of Lease in the form attached to this Agreement as Exhibit FA 7. Unless otherwise agreed in writing by Franchisor and Franchisee, Franchisee shall deliver to Franchisor an executed lease or purchase agreement for the proposed location within one hundred eighty (180) days after the execution of this Agreement, which shall provide that it is subject to Franchisor's prior written approval, which such approval or disapproval shall be at the sole discretion of Franchisor. The proposed location must 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 Franchisee in writing of its decision. If the executed lease or purchase

agreement is not approved by Franchisor in writing, Franchisee shall have an additional period of ten (10) days from the date of disapproval to provide an alternative executed lease or purchase agreement, subject to the same terms and conditions of this Section. If Franchisee fails to deliver to Franchisor an executed lease or purchase agreement that is approved by Franchisor in writing within such one hundred eighty (180) day time period or, if applicable, the additional ten (10) day period, Franchisor may terminate this Agreement in accordance with Article 18 hereof. However, if Franchisee will not have obtained ownership or a signed lease for the Franchised Location within the applicable period, Franchisee may obtain a six-month extension of the deadline. In order to obtain the extension, Franchisee must, no later than 30 days before the end of the applicable period: (1) notify Franchisor in writing that it intends to extend the deadline; and (2) pay a nonrefundable fee of \$5,000 for the extension. Franchisee may not obtain more than one six-month extension of this deadline. If the lease is approved by Franchisor in writing before being signed by all parties to the lease, Franchisee must provide a signed copy of the lease to Franchisor within 5 days after the lease is fully signed. Franchisee further agrees that it will not execute or agree to any modification of the lease or sublease without the prior written approval of Franchisor. If 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 FRANCHISOR'S ACCEPTANCE OF THE FRANCHISED LOCATION NOR ANY INFORMATION COMMUNICATED TO FRANCHISEE REGARDING 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 SPA STORE OR FOR ANY OTHER PURPOSE. FRANCHISOR'S ACCEPTANCE OF THE PROPOSED SITE MERELY SIGNIFIES THAT IT IS WILLING TO GRANT A FRANCHISE FOR A MASSAGE GREEN SPA STORE FOR SUCH LOCATION. 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 SPA STORE AT THE LOCATION IS BASED SOLELY ON FRANCHISEE'S INDEPENDENT INVESTIGATION OF THE SUITABILITY OF THE LOCATION FOR A MASSAGE GREEN SPA STORE.

4.2 Design and Build-Out. Franchisee shall design, build-out and decorate the Franchised Location in accordance with Franchisor's plans and specifications, which shall be determined at Franchisor's sole discretion, and obtain 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 Franchisor. Franchisee must use an architect that has been designated by Franchisor, which may be an Affiliate of Franchisor, or another architect approved in writing by Franchisor at its sole discretion. Franchisor may, in its sole discretion, for any reason whatsoever or for no reason at all, elect to withhold approval of an alternative architect. Franchisee must also use a general contractor that has been designated by Franchisor, which may be an Affiliate of Franchisor, or another general contractor approved in writing by Franchisor at its sole

discretion. The general contractor currently designated by Franchisor is MG Construction Pros, LLC, which is an affiliate of Franchisor. Franchisor may, in its sole discretion, for any reason whatsoever or for no reason at all, elect to withhold approval of an alternative general contractor. In order to ensure that Franchisee is being charged a reasonable price by Franchisor's designated general contractor, Franchisee must obtain bids for the work from two alternative general contractors. Franchisor will review those bids at no cost to Franchisee to determine if the bids meet Franchisor's specifications. If Franchisee is satisfied with the bids from the two alternative general contractors and is willing to accept one of the bids (and the work represented by that bid is in compliance with Franchisor's specifications), Franchisor agrees that, in Franchisor's sole discretion: (a) Franchisor will approve the use by Franchisee of the general contractor that submitted the bid that Franchisee desires to accept; or (b) Franchisor's designated general contractor will agree to act as general contractor for Franchisee. If Franchisee requests and Franchisor approves the use of a general contractor other than the designated general contractor, Franchisee must pay Franchisor a review fee (for reviewing the general contractor and the work of the general contractor) plus Franchisor's food, lodging, and transportation (air travel, car rental, etc.) expenses for two physical inspections of the work of the general contractor (once before rough inspection and once before final inspection). These and any related costs are Franchisee's sole responsibility. Franchisee will not be responsible for the review fee and related costs if Franchisor's designated general contractor acts as general contractor for Franchisee. Franchisee must not make any changes to the design, build-out, or decoration of the Franchised Location without the prior written consent of Franchisor. Franchisee must not display holiday, seasonal, and/or any other decorations or displays at the Franchised Location unless specifically authorized by Franchisor in writing.

Although Franchisor has the right to review and comment on and must designate or approve all construction agreements, and all drawings, plans and specifications, architects, and general contractors relating to the construction and/or improvement of the Franchised Location, Franchisor is only acting to ensure compliance with Franchisor's specifications. Franchisee acknowledges that Franchisor will not evaluate or be responsible for compliance with governmental requirements, legal requirements or adequacy of design and engineering relating to the design and construction and/or improvement of the Franchised Location and that Franchisee is solely responsible for those matters.

**4.3 Signs.** The **Massage Green®** name will only be erected and displayed in the manner and at such locations as are approved and authorized in writing by Franchisor at its sole discretion. 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 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 Franchisor's standards and specifications for signs which must be made due to local ordinances, codes or regulations shall be submitted to Franchisor for prior written approval which such approval or disapproval shall be at the sole discretion of Franchisor. Franchisee acknowledges the Proprietary Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with Franchisor's standards and specifications and only

with the prior written approval of Franchisor which such approval or disapproval shall be at the sole discretion of Franchisor.

4.4 Equipment and Software. Only equipment and software approved in writing by Franchisor which meets the criteria and performance standards of the System may be used at the Franchised Location. Franchisee shall purchase or otherwise obtain for use 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 Franchisor and from suppliers designated by Franchisor in its sole discretion, which may include only Franchisor or its Affiliates. Franchisee shall purchase or lease for use in the operation of the Franchised Store an electronic point of sale and/or customer management computer system, with multiple workstations and associated software as specified by Franchisor (the "Computer Systems") that accurately records each and every sale or other transaction from the operation of the Franchised Store. Franchisee shall submit its reports in the computerized format designated from time to time by Franchisor. In the event that such Computer Systems are required by Franchisor, Franchisee shall report each and every sale or other transaction on the Computer Systems and shall not in any way alter the data reported from such sales or other transaction. Such Computer Systems shall be linked to Franchisor through a method designated by Franchisor at its sole discretion, including, without limitation, direct access to web-based systems, the internet, an extranet, or any other method. Franchisee hereby grants Franchisor the right to access its Computer Systems and authorizes Franchisor to obtain sales, customer, and other information and to review or audit any data on such Computer Systems directly, by access to web-based systems, through an internet connection, or otherwise. Franchisee shall be obligated to upgrade or update the Computer Systems and any required software, at Franchisee's sole cost, which cost will not be limited or capped in any way, to meet Franchisor's then current standards and specifications, which may be changed or revised from time to time in Franchisor's sole discretion. If Franchisor determines that additional or replacement equipment is needed, Franchisee shall purchase and install the additional equipment or replacement equipment within the reasonable time specified by Franchisor. Franchisee is responsible for all required costs, license fees, service fees, set-up fees, monthly use and support fees, and other support, maintenance, update, and upgrade costs to use and maintain the Computer Systems in the manner specified by Franchisor. The Computer Systems may be supplied by Franchisor or through Franchisor under an arrangement with the supplier of the Computer Systems. If the Computer Systems are supplied by or through Franchisor, Franchisor will set the fees payable for use and support of the Computer Systems and those fees must be paid to Franchisor. Franchisee must pay any such amounts owed to Franchisor in connection with the Computer Systems in the manner and at the times specified by 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.

4.5 Permits and Certifications. 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. 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 Franchisee's failure to meet or maintain governmental standards, or less than substantial compliance by Franchisee with any applicable law, rule or regulation, shall be forwarded to Franchisor within five days (5) of Franchisee's receipt thereof.

**4.6 Commencement of Operations.** Unless otherwise agreed in writing by Franchisor and Franchisee, Franchisee shall commence operations of the Franchised Store within one (1) year after the execution of this Agreement. Franchisee shall obtain the written consent of Franchisor at its sole discretion, prior to commencing operation of the Franchised Store, taking into consideration whether Franchisee has satisfied the pre-opening requirements in Sections 4, 5 and 9 of this Agreement. Franchisor may extend the time in which Franchisee has to commence operations for a reasonable period of time in the event factors beyond Franchisee's reasonable control prevent Franchisee from meeting this opening schedule, so long as Franchisee has made reasonable and continuing efforts to comply with such opening obligations and 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.** Franchisee or, if Franchisee is not an individual, the Manager (see Section 9.1), must attend and successfully complete the initial training program offered by 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 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 Franchisee or the Manager) of instruction for up to two individuals who are eligible to participate in 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. Franchisee shall be responsible for any and all traveling and living expenses incurred in connection with attendance at the Initial Training Program. Franchisee or the Manager must successfully complete the Initial Training Program prior to Franchisee's commencement of operation of its Franchised Store. Franchisee will only be allowed to begin the Initial Training Program after the Franchise Agreement is signed, a location is secured, and a lease is signed. Franchisee must provide Franchisor with written notice that Franchisee is ready to start the Initial Training Program at least 30 days in advance of the time Franchisee desires to begin the Initial Training Program. Franchisor does not guaranty that Franchisee will be able to start training after the 30 day period, but Franchisor will use reasonable efforts to schedule Franchisee for the Initial Training Program as soon as possible after the 30 day period. Franchisee must complete the Initial Training Program at least 30 days before Franchisee commences construction of the Franchised Store. Franchisor reserves the right to waive a portion of the Initial Training Program or alter the training schedule, if in Franchisor's sole discretion, Franchisee or the Manager has sufficient prior experience or training. If Franchisor determines, in its sole discretion, that



Franchisee or the Manager has not satisfactorily completed the Initial Training Program required of all franchisees, Franchisor has the option to require Franchisee or the Manager to attend additional training or to terminate the Franchise Agreement.

Franchisee acknowledges that proper management of the Franchised Store is important and must insure that an individual (either the Designated Agent or the 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 an individual 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. 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 successor Manager to attend additional training, require Franchisee to designate another proposed successor 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 an individual 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.

Franchisor may require Franchisee's employees attending the initial training program to sign an agreement relating to confidentiality and/or non-competition in a form approved by Franchisor before allowing those employees to begin the training program.

5.2 On-Site Pre-Opening Training and Inspection. Franchisor shall provide one (1) representative 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 Franchisee in the opening of the Franchised Store. However, Franchisor will not be required to provide on-site training at the Franchised Store if Franchisee or an owner or Affiliate of Franchisee has previously operated or is currently operating a Franchised Store. Franchisor, in its sole discretion, may inspect the Franchised Location prior to opening 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 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 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 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, adequate staff has been employed, and Franchisee or a trained Manager is present at the Franchised Store. Franchisor's trainer will not provide training or remain on-site if Franchisee or a trained Manager is not present at the Franchised Store. Franchisor will not book travel for the on-site training until Franchisee notifies Franchisor in writing that Franchisee is ready to open. Franchisor will go through a ready to open checklist a day or two before the trainer is scheduled to travel. If Franchisee is not ready to open, Franchisor will have to reschedule the trainer's travel and Franchisee will have to pay the expense of rescheduling, which may include cancellation fees. If it appears Franchisee is ready to open, but the Franchised Store is not ready to open when the trainer arrives for training, Franchisee shall pay all reasonable travel and living expenses incurred by Franchisor or its agents and the reasonable wages of Franchisor employees or independent contractors or agents in connection with provision of the on-site training. In the event Franchisor interrupts on-site training because the Franchised Store is not ready to open, Franchisor shall provide on-site training upon payment of the above listed expenses and certification by Franchisee that the Franchised Store is ready to open.

5.3 Additional Training. Franchisor may conduct, in Franchisor's sole discretion, one (1) training seminar annually at a location to be determined by 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 Franchisor gives Franchisee at least thirty (30) days prior written notice of the seminar, in which case Franchisee or the Manager shall be required to attend. Franchisor shall not require that 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, Franchisee will be responsible for any and all transportation and living expenses which are incurred in connection with attendance at the training program. If Franchisee fails to attend required additional training without Franchisor's consent, Franchisee will be charged a non-compliance fee of \$1,000, which will be paid on the date specified by Franchisor in the manner described in Section 3.4.

5.4 Annual Convention. Franchisor may conduct, in Franchisor's sole discretion, a Massage Green Spa annual convention at a location to be determined by 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 Franchisee at least sixty (60) 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 Franchisor's 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 Franchisee has not met the staffing requirements required under this Section, 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.

5.6 Franchisee's Training Program for its Employees. Franchisee understands that Franchisor will generally only train Franchisee or the Manager and that Franchisee is responsible for training all of its other employees and for ensuring its employees comply with all the operating standards that are part of the System or otherwise specified by Franchisor. Franchisee must establish and maintain a continual program of training for Franchisee's employees in accordance with Franchisor's specifications.

## **6 ASSISTANCE FROM FRANCHISOR**

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

(a) Provision of the Initial Training Program to be conducted at Franchisor's designated training facilities or at another location designated by 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. Franchisee acknowledges that 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 Franchisor's sole discretion and based on information submitted to Franchisor in a form sufficient to assess the proposed location as may be required by 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, Franchisor will provide Franchisee with a list of designated or 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 designated or approved suppliers for Massage Green Spa franchisees.

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

(f) Make available for purchase by 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 Franchisor.

## 7 OPERATIONS MANUAL

7.1 Operations Manual. Franchisor agrees to loan to 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 Franchisor for use by Franchisees generally or for 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 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." Franchisor will provide the Operations Manual to Franchisee at the Initial Training Program. 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 Franchisee to substantially comply with the Operations Manual may be considered by 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. Franchisee agrees to use the Proprietary Marks and System only as specified in the Operations Manual. The Operations Manual is the sole property of Franchisor and shall be used by Franchisee only during the Term and in strict accordance with the terms and conditions hereof. 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 in writing by Franchisor. Franchisee shall furnish copies of all such nondisclosure and noncompetition agreements to Franchisor immediately upon execution. Franchisee shall not make any paper or electronic copies of the Operations Manual without the prior written consent of Franchisor. Franchisee shall return the Operations Manual, together with all copies of any portion of the Operations Manual which Franchisee may have made, to Franchisor immediately upon the expiration, termination or assignment of this Agreement.

7.3 Changes to Operations Manual. 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. Franchisee shall immediately update its copy of the Operations Manual as instructed by 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. Franchisee acknowledges that the master copy of the Operations Manual maintained by 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. Franchisor agrees that, during Franchisee's operation of the Franchised Store, Franchisor shall make available to Franchisee the following services:

(a) Upon the reasonable request of 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, Franchisor, the cost of which may be passed on to Franchisee at Franchisor's option.

(c) Periodic updates of information and programs regarding Massage Green Spa 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 Spa franchisees, at Franchisor's sole discretion.

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

(e) Franchisor shall make the Initial Training Program available to replacement or additional Managers during the Term. Franchisor reserves the right to charge a tuition or fee as set forth in Section 5.1 of this Agreement. 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 Spa franchisees.

8.2 Additional Franchisor Services. Although not obligated to do so, upon the reasonable request of Franchisee, and subject to the availability of Franchisor's personnel and/or resources, Franchisor may make its employees or designated agents available to 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 Franchisee requests such additional assistance and Franchisor agrees to provide the same, Franchisor reserves the right to charge 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 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 Management of the Franchised Store.

(a) Designated Agent. The individual designated in Section 5 of Exhibit FA 1 (the "Designated Agent"), must: (a) preserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchised Store; and (b) represent and act on behalf of Franchisee in all dealings with Franchisor. The Designated Agent must have an ownership interest in Franchisee. The Designated Agent must be approved by Franchisor. The Designated Agent must not be changed without the prior written consent of the Franchisor, which may be withheld in the Franchisor's sole discretion. If the Designated Agent resigns, dies or become incapacitated, it will be considered an assignment subject to Article 16 of this Agreement. All actions by the Designated Agent will be binding on Franchisee as if done by each and every partner, member, shareholder, officer, or director of Franchisee. Franchisor will have no duty to deal with anyone other than the Designated Agent; however, any documents submitted to Franchisor executed by any other officer or partner will be valid and binding on Franchisee.

(b) Manager. The Franchised Store must, at all times, be under the direct supervision of a manager as described in this Section (the "Manager"). The Manager must: (i) devote his or her full time and effort to the day-to-day active management and operation of the Franchised Store; (ii) be personally responsible for the Franchised Store at all times; (iii) personally exercise his or her best efforts to market the Franchised Store and maximize customer satisfaction; and (iv) be present at the Franchise Location for the minimum number of days and hours specified by Franchisor. The Manager must meet the following requirements before beginning to serve as Manager for the Franchised Store: (1) the Manager must have successfully completed the initial training program and any retraining or refresher training programs specified by Franchisor; (2) the Manager must be approved by Franchisor and not later disapproved; and (3) the Manager must sign an agreement relating to confidentiality and non-competition in a form approved by Franchisor as a condition of employment. Franchisor's approval or disapproval of a Manager will be based on the standards and requirements specified by Franchisor from time to time, in writing or otherwise. If Franchisor rejects or disapproves a Manager, it will notify Franchisee of the reasons for the decision. Notwithstanding the right of Franchisor to protect the goodwill of the Massage Green® Spa franchise system by disapproving a Manager employed by Franchisee, the Manager will not be deemed an employee of Franchisor for any purpose whatsoever. If the Designated Agent is not the Manager, the Manager must be under the direct supervision of the Designated Agent. If Franchisee desires to change the approved Manager, Franchisee must notify Franchisor in writing as least 30 days before employing a new Manager. It is Franchisee's responsibility to ensure that the Franchised Store is always under the supervision of an approved Manager. A failure by Franchisee to have the Franchised Store under the supervision of an approved Manager is a material default under this Agreement. An individual who previously successfully completed the initial training program but has not worked for a Massage Green Spa Store for a period of six months or more, must attend the initial training program again before Franchisor will approve that individual as a Manager for the Franchised Store.

9.2 **Business Operations.** 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 Franchisee's compliance with this Agreement, including the Operations Manual. In addition to all other obligations contained herein and in the Operations Manual, Franchisee covenants that:

(a) 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 Franchisor and the goodwill associated with the Massage Green name and Proprietary Marks.

(b) 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, 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 Franchisor at any time. Franchisee shall promptly forward to Franchisor copies of all health department, fire department, building department and other similar reports or inspections as and when they become available.

(c) Franchisee acknowledges that proper management of the Franchised Store is important and shall insure that an individual (either Franchisee or the Manager) who has successfully completed 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) Franchisee acknowledges that the franchise granted hereunder authorizes Franchisee to offer only authorized products and services as are more fully described in the Operations Manual. Franchisee shall purchase the Massage Green Spa Products and certain other products as may be identified by Franchisor from time to time from Franchisor or such suppliers as Franchisor may designate from time to time at its sole discretion, pursuant to the terms set forth in Section 12 of this Agreement. Franchisee shall offer all types of the products and services included in the Massage Green Spa Products as from time to time may be prescribed by 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 Spa Products or other products as Franchisor may, in its sole discretion, disapprove in writing at any time and shall as soon as commercially reasonable, begin offering new Massage Green Spa Products designated in writing by Franchisor.

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

(g) 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 Franchisor in order to comply with the image, standards of operation and performance capability established by 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 Franchisor changes its image or standards of operation, it shall give Franchisee a reasonable period of time within which to comply with such changes.

(h) Franchisee shall at all times during the Term own and control the Franchised Store authorized hereunder. Upon request of Franchisor, Franchisee shall promptly provide satisfactory proof of such ownership to Franchisor. Franchisee represents that the Legal Entity Form, attached hereto as Exhibit FA 3 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. Franchisee shall promptly provide 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) Franchisee shall at all times during the Term keep its Franchised Store open and fully operational during the days and business hours designated by Franchisor from time to time in the Operations Manual or as otherwise designated in writing by Franchisor. See Exhibit FA 1 to this Agreement. The Franchised Store will only be considered "open and fully operational" when the Franchised Store is open to the public, fully staffed, and ready and able at the time to provide all products and services offered by the Franchised Store.

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



(k) 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) 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) Franchisee shall immediately report to 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 Spa Products, advertising or Franchisee or its personnel. Such reports shall be in writing and 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 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.

9.3 Pricing. In order to enhance the competitive position and consumer acceptance for the Massage Green Spa 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.

9.4 Participation in Cross Global Programs. Franchisor may establish policies and procedures relating to: (a) defining a customer's home Franchised Store ("Home Spa"); (b) the

membership programs to be offered to customers by Franchised Stores; (c) the right of a customer to receive services from the customer's Home Spa and other Franchised Stores; (d) specifying the Franchised Store that is entitled to receive membership fees paid by a customer, regardless of the Franchised Store at which the customer purchases the membership; (e) the sharing of fees between Franchised Stores based on a customer receiving services at Franchised Stores other than the customer's Home Spa; (f) membership transfers from one Franchised Store to another Franchised Store; (g) the issuance and honoring of cross memberships, cross gift cards and cross electronic money cards issued by Franchised Stores; (h) customer loyalty programs; and (i) other cross member usage and reciprocal access programs and other cross global matters specified by Franchisor (the "Cross Global Programs"). Franchisor may add, delete or modify the policies and procedures relating to Cross Global Programs on 30 days notice to Franchisee. Franchisee acknowledges that Franchisee's participation in the Cross Global Programs specified by Franchisor is integral to the Massage Green Spa franchise system and to the success of those programs. Franchisee agrees to fully participate in the Cross Global Programs and to fully comply with the policies and procedures specified by Franchisor relating to the Cross Global Programs, including the payment of any amounts owed to Franchisor or other Franchised Stores under the Cross Global Programs. Franchisor will periodically reconcile payments due to and from Franchisee under the Cross Global Programs. Franchisee agrees to pay any amounts due under the Cross Global Programs to or as directed by Franchisor at the times and in the manner specified by Franchisor. Franchisor may debit or credit Franchisee's bank account on a periodic basis by electronic funds transfer after reconciling and reporting to Franchisee amounts due to or from Franchisee in connection with the Cross Global Programs. Franchisor may provide these reports by email, online access, or other means specified by Franchisor. Franchisor may charge a reasonable administrative fee for administering or having a designated supplier administer the Cross Global Programs.

## 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 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 Franchisor's sole judgment conflict with any existing legal obligation of Franchisor or the business being acquired; and

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

(c) such sale will not, in 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 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 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) Franchisee agrees to (i) execute, concurrently with Franchisee's purchase, Franchisor's then current form of standard franchise agreement containing 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 Franchisor) in accordance with Franchisor's standards and specifications, and (iii) close or sell within the time period specified by Franchisor any such acquired sites which are not suitable for conversion.

10.2 Timing. Franchisee shall have ten (10) business days after receipt of Franchisor's offer in which to accept or reject such offer by written notice to Franchisor. If accepted, 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 to establish a Franchised Store at the Conversion Site.

## 11 ADVERTISING AND PROMOTION; PRICING

11.1 Franchisee acknowledges that local advertising is required to advise the public of the Franchised Store. As such, Franchisee shall advertise and promote the opening of the Franchised Store at Franchisee's own expense. Franchisor may, at its sole discretion, set advertising policies and procedures that Franchisee must follow. These policies and procedures may include specific advertising strategy, promotional programs, copy, media selection, and timing requirements. The required advertising and promotional expense for the period beginning on opening of the Franchised Store and ending at the end of Franchisee's first full month of operation shall be a minimum of Six Thousand Dollars (\$6,000.00) ("Grand Opening Advertising"). After Franchisee's grand opening and beginning with the start of the second month of Franchisee's operation and continuing for the remainder of the Term, but subject to Section 11.9 below, 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 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 has the authority to have Local Advertising Cooperatives formed, changed, dissolved, or merged. Franchisor has 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 written approval to Franchisor (and shall be deemed disapproved ten (10) business days after submission if 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 Franchisor. In the event that the members of the Cooperative do not adopt and sign an agreement within thirty (30) days after Franchisor designates a geographic area for the Local Advertising Cooperative, the Cooperative must adopt and Franchisee must 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 written approval of Franchisor pursuant to Section 11.5 of this Agreement.

(d) Franchisee agrees to make contributions to the Local Advertising Cooperative at the times and in the amounts as determined by the majority vote of the affected members of the cooperative, with each Franchised Store, including Stores owned by Franchisor and its Affiliates, having one vote. 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 Franchisor shall not be responsible to Franchisee for any single franchisee who fails to abide by these arrangements or pay the appropriate fees. Franchisee acknowledges and agrees that Franchisor may collect amounts owed by Franchisee to the Local Advertising Cooperative under Section 3.4 of this Agreement.

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

(f) All contributions to the Local Advertising Cooperative will be expended solely for advertising and marketing of Massage Green Stores in the area of the Local Advertising Cooperative and their products and services and any administrative costs incurred by or on behalf of the Local Advertising Cooperative. As used in this paragraph, "advertising and marketing" expenditures will mean direct costs of media for television advertising, including time charges, agency commissions and associated costs; newspaper and print advertising, direct mail, radio advertising, outdoor advertising (billboard or transit), point of sale materials; Electronic Media and Digital Marketing (see Section 11.11 below); other advertising approved by the Local Advertising Cooperative; and expenses incurred and related to the advertising and marketing for the Local Advertising Cooperative. As used in this paragraph, "administrative expenses" will mean all costs incurred in connection with the administration of the Local Advertising Cooperative, including, but not limited to, organizational, accounting and legal fees and expenses, filing of tax returns, payment or reimbursement of taxes, meeting room charges, photocopying, postage and shipping, payment of employees, agents, and consultants hired by the Local Advertising Cooperative, and any administrative fees paid to the administrator of the Local Advertising Cooperative.

11.4 Franchisee must provide documentation to Franchisor, at the times and in the form and manner specified by Franchisor, to prove that Franchisee has spent the required monthly amount for Local Advertising Expense. If Franchisee does not timely provide such documentation, or does not spend the required minimum amount on Local Advertising Expense, Franchisee must pay the amount not satisfactorily documented or not spent to Franchisor on demand. These funds will be used, in Franchisor's discretion, for local advertising and promotion for Franchisee. In addition, Franchisee must pay an administrative fee to Franchisor equal to 10% of the amount not satisfactorily documented or not spent. These amounts may be collected by Franchisor by electronic funds transfer under Section 3.4 after five days notice to Franchisee. Any Local Advertising Cooperative of which Franchisee is a member must submit a monthly accounting to Franchisor.

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

all advertisements by Franchisee (including any advertising materials used by a Local Advertising Cooperative of which 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. Franchisee must submit such advertising material to Franchisor for review at least ten (10) business days before the proposed first use. If 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 Franchisee to immediately discontinue any advertising material at any time, even if previously approved by 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, Franchisee shall remit two percent (2%) of the Gross Sales for the preceding Reporting Period or portion thereof to Franchisor (the "National Advertising Fee"). Franchisor, at its sole discretion, may require that Franchisee increase the National Advertising Fee to up to a total of five percent (5%) of the Gross Sales for the preceding Reporting Period. Subject to Section 11.9 below, the National Advertising Fee is in addition to and will not be reduced by any Local Advertising Expense or any Local Advertising Cooperative expenses. No action taken by Franchisee or any Local Advertising Cooperative shall diminish Franchisee's obligations to pay the National Advertising Fee to the National Advertising Fund.

11.7 Advertising materials and services will be provided to 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 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 Franchisor, in Franchisor's sole discretion. The National Advertising Fund will be used to promote the Massage Green Spa Products sold by Franchisees and will not be used to sell additional franchises. The National Advertising Fund will be administered by 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 Franchisor or its Affiliates will contribute to the National Advertising Fund on the same basis as franchisees. All payments to the National Advertising Fund will be spent on advertising, promotion and marketing of Massage Green Spa Products and Stores as determined by Franchisor, including, without limitation, the production and placement of advertising, the creation, maintenance, and administration of Electronic Media and Digital Marketing (see Section 11.11 below), the creation, maintenance and administration of computer and software tools, the creation, maintenance, and administration of Cross Global and membership transfer programs, and related administrative costs and overhead (including, without limitation, reimbursement to Franchisor for the costs of any Franchisor employees' time). The National

Advertising 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 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 Notwithstanding anything to the contrary contained in this Agreement, except for Grand Opening Advertising, Franchisee will not be required to spend more than the greater of five percent (5%) of Gross Sales or Three Thousand Dollars (\$3,000) per month for combined Local Advertising Expense, Local Advertising Cooperative, and National Advertising Fees. Franchisor will have the right, in its sole discretion, to specify the portion of the total required advertising expenditure allocated to Local Advertising Expense, Local Advertising Cooperative, and National Advertising Fees. Franchisee acknowledges that Franchisor will have the right to allocate the entire required advertising expenditure to National Advertising Fees.

11.10 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 Spa Products, new franchises or other marketing programs directed or approved in writing by Franchisor), which are prescribed from time to time by Franchisor at its sole discretion. Franchisee shall be responsible for the costs of such participation, which may be charged by Franchisor, its Affiliates or other third parties. In addition, Franchisee shall honor any coupons or other authorized promotional offers of Franchisor at Franchisee's sole cost unless otherwise specified in writing by Franchisor. Franchisee agrees to participate in any gift certificates or cards, electronic gift or money cards (E-cards), frequency cards, customer loyalty programs, 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 Spa 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. Franchisor will have the right to charge Franchisee a non-compliance fee of \$500 for each week that Franchisee fails to participate in any promotional campaign, prize contest, special offer, or other program specified by Franchisor. These non-compliance fees must be paid on the date specified by Franchisor in the manner described in Section 3.4.

11.11 Use of Electronic Media and Digital Marketing. For purposes of this Agreement: (a) "Electronic Media" means the Internet, email addresses, Internet domain names, homepages, electronic addresses, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, or other social media accounts or participations (including but not limited to Facebook, Twitter, LinkedIn, YouTube, Pinterest, and Instagram), and other digital media (such as mobile phones—SMS and MMS); and (b) "Digital Marketing" means the marketing of products and services using digital technologies, including digital coupons, search engine optimization, search engine marketing, social media optimization, social media marketing, email marketing, mobile phone marketing, email marketing, and marketing using

other forms of digital media. Franchisee acknowledges that the use of Electronic Media and Digital Marketing in connection with the operation, advertising, and marketing of the Franchised Store are subject to the trademark, advertising, marketing, and other requirements of this Agreement and the Operations Manual. Without limiting the foregoing, Franchisee must not use any Electronic Media or Digital Marketing 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 reserves the right to control all Electronic Media and Digital Marketing used to promote Franchised Stores and/or associated with the Proprietary Marks and may require Franchisee to only use Electronic Media and Digital Marketing through central accounts established by the Franchisor.

## 12 QUALITY CONTROL

12.1 Compliance with Operations Manual. 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 Franchisor at its sole discretion.

12.2 Standards and Specifications. Franchisor will make available to Franchisee standards and specifications for the Massage Green Spa Products offered at or through the Franchised Store. Franchisor reserves the right to change standards and specifications for Massage Green Spa Products offered at or through the Franchised Store at its sole discretion upon written notice to Franchisee and 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 Franchisee, to inspect the Franchised Store and all other facilities used for service or storage, sale and transportation of any approved Massage Green Spa 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 Franchisor or its designee to determine whether the samples meet Franchisor's then current standards and specifications. Franchisor and Franchisor's representatives will have the right to discuss with Franchisee, or other personnel Franchisee may designate, including the Manager, all matters that may pertain to compliance with this Agreement and with Franchisor's standards, specifications, requirements, instructions and procedures and Franchisor may take photographs of Franchisee's food product and facilities. Franchisee shall in all respects cooperate with Franchisor's rights under this Section, provided that Franchisor's exercise of these rights shall not unreasonably interfere with Franchisee's conduct of business at the Franchised Store. 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. Franchisee understands that violations of this



Agreement or Franchisor's specifications observed in any inspection or other evaluation may result in system standards fees being charged to Franchisee under Section 3.7.

12.4 Restrictions on Products and Services. Franchisee is prohibited from offering or selling any products or services not previously approved in writing by Franchisor. However, if 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 Franchisor as meeting its specifications, Franchisee shall first notify Franchisor in writing requesting approval. 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, Franchisor may require submission of specifications, information, or samples of such products and services. Franchisor will advise Franchisee within a reasonable time whether such products and services are approved by Franchisor.

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

12.6 Approved Suppliers for Other Products, Equipment and Services. 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 Franchisor, which, for some or all products and services, may include only 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 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 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 Franchisor has specified designated or approved manufacturers, suppliers or distributors in its Operations Manual or otherwise in writing. If no such specifications are made, 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 Franchisee desires to purchase products, services or equipment, other than products, services or equipment required to be purchased from designated suppliers under Sections 4.2, 4.4, 12.5, and 12.6 of this Agreement (collectively, the "Specified Products and Equipment"), from manufacturers, suppliers or distributors other than those previously approved in writing by Franchisor, Franchisee shall, prior to purchasing any such products and services, give 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 Franchisor for testing prior to approval

and use. 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 Franchisee's request for approval of new supplier and evaluation fee, notify Franchisee in writing of its acceptance or rejection. If such notice is not received within sixty (60) days, Franchisor shall be deemed to have rejected the proposal. 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 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. 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 Franchisor, its Affiliate, or an approved supplier, all freight costs shall be paid by 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 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 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.

**12.9 Franchisor's Right to Receive Payments.** Franchisee acknowledges and agrees that Franchisor and/or its Affiliates have the right to receive rebates, commissions, dividends, distributions or other fees, discounts or payments from designated and approved suppliers or other providers of products or services based on sales of products or services to Franchised Stores. Franchisee agrees that Franchisor and its Affiliates will have the right to collect all supplier payments and to use the supplier payments for any purpose in Franchisor's sole discretion. Franchisee must cooperate with Franchisor and its Affiliates in the collection of supplier payments.

**12.10 Non-Uniformity; Test Marketing.** Franchisor has the right in its sole discretion to authorize one or more Franchised Stores to test market products, services, suppliers, or other items on a non-uniform basis. Franchisee will not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation in Franchisor's standards and specifications.

### **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 Spa 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 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 Spa 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 must use the Proprietary Marks only in lettering, logos, print styles, forms, and formats specified by Franchisor. Franchisee must not use the Proprietary Marks for any purpose, including but not limited to, use in advertising and promotional materials, invoices, signage, business checks, business cards, invoices, stationery, interior décor, and promotional items such as clothing, pens, mugs, etc., except as approved in writing by Franchisor in accordance with this Agreement. Franchisee must 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 Electronic Media or Digital Marketing for the Franchised Store or advertising for the sale of Massage Green Spa Products, or using any of the Proprietary Marks without the prior written consent of Franchisor, which such consent or rejection shall be at the sole discretion of 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 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 Spa 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 Spa 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 Spa 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 Franchisee. Franchisor shall have the right to observe the manner in which Franchisee is rendering its Massage Green Spa services and conducting its operations, to confer with Franchisee's employees and customers, and to select Massage Green Spa 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 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. Franchisee and Franchisor acknowledge and agree that: (1) Franchisor may authorize Franchisee to use certain copyrighted or copyrightable works (the "Copyrighted Works"); (2) the Copyrighted Works are the valuable property of Franchisor and MGH; and (3) Franchisee's rights to use the Copyrighted Works are granted to Franchisee solely on the condition that Franchisee complies with the terms of this Section. Franchisee acknowledges and agrees that 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 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. Franchisee acknowledges that this Agreement does not confer any interest in the Copyrighted Works upon 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 Spa Products, display, supplier sourcing, marketing and sales of the Massage Green Spa 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 herein, 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. Franchisee agrees and acknowledges that such Trade Secrets are valuable and secret in the sense that they provide economic benefit to Franchisor, are not generally known to competitors of Franchisor and are the subject of reasonable efforts by 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 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.

14.4 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 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.

14.5 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.

14.6 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 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.

14.7 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 Spa 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.

14.8 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 Spa 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.

14.9 Cessation of Use. If, in Franchisor's reasonable determination, the use of a Copyrighted Work in connection with the Massage Green Spa 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 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. Franchisee shall supply to Franchisor such reports in a manner and form (including, without limitation, electronic or internet) and at the times as Franchisor may from time to time reasonably require, including:

(a) Weekly summary reports, in a form as may be prescribed by Franchisor, shall be transmitted to Franchisor by a method designated by 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 Franchisor by a method designated by 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 specified by Franchisor and shall be certified by Franchisee to be correct.

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

15.2 Annual Financial Statements. Franchisee shall, within thirty (30) days after the end of its fiscal year, provide to Franchisor, by a method designated 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 in writing by 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 Franchisor, these amounts shall be paid to 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 Franchisor hereunder shall be signed and verified under oath by Franchisee.

15.4 Books and Records. 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. Franchisee shall permit Franchisor to inspect and audit the books and records of the Franchised Store at all reasonable times and without prior notice, at Franchisor's expense. If any audit discloses a deficiency in amounts for payments owed to Franchisor pursuant to this Agreement, then such amounts shall become immediately payable to Franchisor by 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. Any audit will be conducted at the expense of Franchisor; provided that, if an audit is made because of Franchisee's failure to furnish reports, financial statements, or tax returns, or discloses an understatement of 3% or more of the Gross Sales of the Franchise Business in any report, then Franchisee must pay Franchisor for the costs of the audit, including, without limitation, any travel expenses, meals, lodging and compensation of Franchisor's employees or agents and

reasonable accounting and attorney's fees. 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 under this Section 15:

(a) Franchisor will have the right to treat Franchisee's failure as a material breach of this Agreement and as good cause for termination of this Agreement.

(b) Franchisee shall pay to Franchisor a One Hundred Dollars (\$100.00) late fee for each week a weekly report is not timely provided and a Five Hundred Dollars (\$500) late fee for each month a monthly or annual report is not timely provided to Franchisor.

(c) Franchisor may have a third party compile and provide to Franchisor the missing reports for Franchisee and charge Franchisee the cost of the service plus an administrative fee equal to 10% of the cost of the service. Franchisee agrees to give the third party access to its books and records for purposes of compiling the required reports.

(d) If Franchisee fails to timely provide two or more consecutive reports, Franchisor may have a third party compile and provide to Franchisor all future reports for Franchisee and charge Franchisee the cost of the service plus an administrative fee equal to 10% of the cost of the service. Franchisee agrees to give the third party access to its books and records for purposes of compiling the required reports. The third party will continue to compile and provide Franchisee's reports to Franchisor until Franchisor agrees, in its sole discretion, to allow Franchisee to again compile and provide its own reports.

(e) Franchisor's rights under this Section 15.6 will be in addition to any other rights or remedies of Franchisor under this Agreement or otherwise arising from Franchisee's failure to timely provide the reports required under this Section 15.

(f) Any amounts due to Franchisor under this Section 15.6 may be collected by Franchisor by electronic funds transfer under Section 3.4 after five days notice to Franchisee.

**15.7 Ownership of Business Records:** Franchisee acknowledges and agrees that 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 Spa franchise system, in Franchisor's sole discretion.

## 16 ASSIGNMENT

### 16.1 Assignment by Franchisee.

(a) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and, except as stated below, Franchisee shall not, without 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 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 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 Franchisee's board of directors or managers authorizing its entry into this Agreement shall be furnished to Franchisor upon request.

(ii) 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 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 Franchisor's prior written consent, which is in Franchisor's sole discretion, and complying with all of Franchisor's requirements and restrictions concerning use of information about Franchisor, its Affiliates or the System.

(iii) Franchisee shall furnish 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.

(iv) 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."

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

16.2 Conditions Precedent to Franchisee's Assignment. 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 Franchisee obtains Franchisor's written consent, and Franchisee and the proposed transferee comply with each of the following requirements, unless specifically prohibited by state or federal law. Notwithstanding anything to the contrary in this Section or Section 23.18, 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 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 Franchisee to Franchisor or its Affiliates or to third parties whose debts or obligations Franchisor may have (at its sole discretion) guaranteed on behalf of Franchisee, if any;

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

(c) The transferee must demonstrate to Franchisor's satisfaction that the proposed transferee meets Franchisor's then current reasonable qualifications or standards, including, without limitation: (i) 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 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 involved 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 Franchisee's obligations pursuant to this Agreement, or at the option of Franchisor, execution of a Franchise Agreement in a form then currently offered by 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 transfer fee described in Section 16.2(k) of this Agreement must be paid by Franchisee. The proposed transferee must assume and agree to discharge all of Franchisee's obligations under the Agreement and the transferee's owners and their spouses and any Affiliates operating Massage Green Spa franchises must personally guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

(g) An express written assumption by the proposed transferee of Franchisee's obligations to the customers of the Franchised Store under the Cross Global Programs or otherwise, including Franchisee's obligations: (i) under gift cards issued by the Franchised Store; and (ii) to provide massages based on memberships pre-paid to the Franchised Store. In addition, Franchisee and its guarantors will remain liable after the transfer for all obligations to customers of the Franchised Store existing at the time of transfer (including obligations under gift cards issued before the transfer and pre-paid memberships paid before the transfer) and must pay to Franchisor, on demand, any amounts owed to Franchisor or other franchisees for honoring those obligations to the extent those obligations are not paid by the proposed transferee;

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

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

(j) Execution by Franchisee of a full release, in a form satisfactory to Franchisor, of 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 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 Franchisee and Franchisor, from the inception of any contact with Franchisor to the date of the release;

(k) Payment by Franchisee or the proposed transferee of a transfer fee in the amount of Ten Thousand Dollars (\$10,000.00), which Franchisee agrees constitutes Franchisor's costs for evaluating the proposed transferee. The transfer fee shall not be refundable in the event that Franchisor rejects the proposed transferee or the transfer is not, for any reason, consummated. The transfer fee will only be One Thousand Dollars (\$1,000) if the transfer is between existing owners of the Franchisee; and

(l) Agreement by 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. Franchisor shall have sixty (60) days from the date of the written notice to approve or disapprove in writing of Franchisee's proposed assignment. Franchisee acknowledges that the proposed transferee shall be evaluated for approval by Franchisor based on the same criteria as is currently being used to assess new franchisees of Franchisor and that such proposed transferee shall be provided, if appropriate, with such disclosures as may be required by state or federal law. If Franchisor has not given 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 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, Franchisee agrees to grant to 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 Franchisee by the proposed purchaser; provided, however, the following additional terms and conditions shall apply:

(a) Franchisee shall notify Franchisor of such offer by sending a written notice to Franchisor (which notice may be the same notice as required by Section 16.2(h) 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 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 Franchisor;

(d) If the consideration or manner of payment offered by a third party is such that Franchisor may not reasonably be required to furnish the same, then 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 Franchisor and Franchisee. If the parties cannot agree within a reasonable time to the appointment of a single independent appraiser, Franchisor and 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 Franchisor chooses not to exercise its right of first refusal, 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 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.** Franchisee acknowledges that Franchisor's right to approve or disapprove of a proposed assignment, sale or transfer as provided for above shall apply: (a) if 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 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 Franchisee is an individual, to the transfer from such individual or individuals to a corporation controlled by them, in which case 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 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, Franchisor's right of first refusal to purchase, as set forth above, shall not apply and Franchisor will waive any transfer fee chargeable to Franchisee for a transfer under these circumstances.

**16.6 Assignment by 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 Person 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 transfer 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 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 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 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 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 Franchisor which may include materially different terms, including, without limitation, a different royalty rate, advertising fees, and additional or different fee amounts;

(b) Franchisee, during the five (5) year period before the beginning of the option period, has not received from Franchisor two (2) or more notices of default of the terms of this Agreement or any specification, standard or operating procedure of Franchisor (whether or not the notices related to the same or different violations and whether or not the violations were remedied by Franchisee);

(c) Notwithstanding any provision to the contrary, at the request of Franchisor, Franchisee upgrades and remodels the Franchised Store and its operations at 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 Franchisor, of 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 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 Franchisee and Franchisor, from the inception of any contract with 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. Franchisor shall not be obligated to offer Franchisee such additional term upon the expiration of the Initial Term of this Agreement if 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, 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, Franchisor may thereafter provide notice of its right not to renew. Upon the expiration of this Agreement, Franchisee shall comply with all of its obligations upon termination or expiration of the Agreement, including, without limitation, the provisions of Section 18.5 below.

## 18. DEFAULT AND TERMINATION

18.1 Termination by Franchisor - Effective Upon Notice. Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, subject to the provisions of applicable state law governing franchise termination and renewal, effective immediately upon notice to Franchisee, addressed as provided in Section 23.10, upon the occurrence of any of the following events:

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

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

(c) Insolvency; Assignments; Appointment of Receiver; Proceedings for Composition. If Franchisee becomes insolvent or is adjudicated bankrupt; or any action is taken by Franchisee, or by others against Franchisee under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit of creditors, or a receiver is appointed for 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 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 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 Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;

(e) Criminal Conviction. If Franchisee, the Manager or any owner of greater than 20% of the stock, membership interests or partnership interests of 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 Franchisor, to materially and unfavorably affect the System, Proprietary Marks, goodwill or reputation thereof;

(f) Failure to Make Payments. If Franchisee fails to make any payment of any amounts due Franchisor or its Affiliates within ten (10) 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 Franchisee;

(g) Misuse of Proprietary Marks. If Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of 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 Franchisor of such misuse or failure;

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

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

(j) Understatement of Revenues. If 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 Franchisee demonstrates, to Franchisor's satisfaction, that such understatement resulted from inadvertent error;

(k) Financial Reporting. If 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 Franchisee;

(l) Unauthorized Merchandise, Product or Service. If 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 the 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 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 the Manager pursuant to the terms set forth in Sections 5.1 and 9.1, or the requisite number of certified massage therapists pursuant to the terms set forth in Section 5.5 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. 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 Franchisee, if 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 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. Franchisee fails to maintain and/or adhere to the then current operating procedures and standards established by Franchisor as set forth herein or in the Operations Manual or otherwise communicated to Franchisee.

(b) Deceptive Practices. Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under Franchisor's Proprietary

Marks or under a name or mark which is confusingly similar to Franchisor's Proprietary Marks.

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

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

(e) Breach of Related Agreement. Franchisee defaults under any term of the lease for the Franchised Location, any other franchise agreement with 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 and Franchisee has not transferred this franchise to another location under Section 1.2 of this Agreement.

(h) Defaults by Franchisee's Affiliates. Any material breach by any Affiliate of Franchisee under any agreement or obligation entered into with Franchisor or its Affiliates, including, but not limited to, any franchise agreement entered into between Franchisor and an Affiliate of Franchisee.

18.3 Option to Take Assignment of Lease. Franchisor shall have the option to be assigned all right, title and interest of Franchisee in and to the lease for the Franchised Location on: (a) a default by Franchisee under the lease for the Franchised Location; (b) the expiration or termination of this Agreement; or (c) Franchisee's abandonment of the Franchised Store operated at the Franchise Location. For this purpose, abandonment will be conclusively presumed if Franchisee fails to have the Franchised Store open and fully operational for five consecutive days. Franchisor must give written notice of its intent to exercise this option no later than thirty (30) days after the event triggering the option. On the giving of notice of exercise by Franchisor, the lease, and all right, title and interest of Franchisee under the lease and to the Franchise Location will be automatically assigned to Franchisor without need of further instrument. Franchisee agrees to execute documents confirming this assignment in the form presented by Franchisor. If Franchisor exercises its option and takes an assignment of the Lease Franchisor will not be obligated to pay any amounts due under the lease prior to the date Franchisor takes an assignment of the lease and those amounts will be the sole obligation of Franchisee.

18.4 Option to Purchase Personal Property. Upon termination or expiration of this Agreement for any reason, Franchisor shall have the option, but not the obligation, to purchase the personal property of the Franchised Store, which may include, at Franchisor's option, some or all of Franchisee's interest in and to leasehold improvements, fixtures, equipment, supplies,

and inventory at the then-current fair market value, not including any amount apportioned to the goodwill of the Franchised Store which is attributable to Franchisor's Proprietary Marks and System, and less any amounts owed to Franchisor by Franchisee and the cost of the agreed upon or independent appraiser (as discussed below), if any. The option to purchase described in this Section will not apply to 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 Franchisor's exercise of this option:

(a) Franchisor's option hereunder shall be exercisable by providing Franchisee with written notice of its intention to exercise the option given to 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 Franchisor and Franchisee cannot agree upon a fair market value of the personal property of the Franchised Store, then the fair market value shall be determined by one or more independent third party appraiser(s). Franchisor and 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, Franchisor and 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 personal property 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) Franchisor and Franchisee shall each bear all costs for their own party appraisers, if applicable.

(d) Franchisor and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by Franchisor, in the real property records and Franchisor and 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. 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. Franchisee must sign all documents of assignment and transfer as are reasonably necessary for purchase of the Franchised Store by Franchisor.

In the event that Franchisor does not exercise Franchisor's right to purchase the personal property of Franchisee's Franchised Store as set forth above, Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the personal property of its Franchised Store; provided, however, that all appearances of the Proprietary Marks are first removed in a manner approved in writing by Franchisor in its sole discretion. Franchisor shall

not be obligated to purchase any assets of the Franchised Store except in the event and to the extent it is required by applicable state or federal law.

**18.5 Obligations of Franchisee Upon Termination or Expiration.** Franchisee is obligated upon termination or expiration of this Agreement to:

(a) Pay to 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 (or that may accrue in the future) 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 Franchisor as a result of the default (whether such fees and expenses are incurred through use of 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 obligations shall give rise to and remain, a lien in favor of Franchisor against any and all of the assets of Franchisee at the time of default including specifically, but not limited to, the Franchised Store;

(b) Without limiting the foregoing, Franchisee and its guarantors will remain liable for all obligations to the customers of the Franchised Store under the Cross Global Programs or otherwise existing at the time of expiration or termination (including gift card and pre-paid membership liability) and must pay to Franchisor, on demand, any amounts owed to Franchisor or other franchisees for honoring those customer obligations;

(c) Discontinue all use, imitation or duplication of all distinguishing characteristics of the System, including but not limited to, Massage Green Spa Trade Secrets, the Proprietary Marks, Massage Green Spa 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 Spa Trade Secrets, the Proprietary Marks, Massage Green Spa signs, symbols, devices, copyrights, trade names or trademarks;

(d) Immediately cease to identify the Franchised Location as being, or having been, associated with Franchisor, immediately cease using any Proprietary Mark of 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;

(e) Deliver to 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 Franchisor and obtained by and in connection with this Agreement;

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

(g) 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 Franchisor, or, at the option of Franchisor, assign the same to Franchisor;

(h) 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 companies, telephone directory services, Internet companies and other public or private businesses using, authorizing or providing any of the Telephone Numbers and Listings and any Electronic Media of the termination or expiration of Franchisee's right to use any Telephone Numbers and Listings and Electronic Media associated with the Franchised Store or the Proprietary Marks and shall authorize the transfer of same to Franchisor or any new franchisee as may be directed by Franchisor. For purposes of this Agreement, "Telephone Numbers and Listings" include all telephone numbers, fax numbers, and regular, classified, or other telephone directory listings. Franchisee acknowledges as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in all Telephone Numbers and Listings and Electronic Media used by Franchisee to promote the Franchised Store and/or associated with the Proprietary Marks. Franchisee hereby irrevocably appoints 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 FA 5;

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

(j) Discontinue use of any Telephone Numbers and Listings and Electronic Media which were used in connection with the Franchised Store; and

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

**18.6 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 of the Agreement.

18.7 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.

18.8 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.

18.9 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.

18.10 Damages. In the event this Agreement is terminated prior to its expiration as set forth in Sections 18.1 and 18.2 above, Franchisee acknowledges and agrees that, in addition to all other available remedies, Franchisor shall have the right to recover lost future royalties during any period in which 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.

18.11 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.

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

18.13 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 Franchisor, including without limitation, any name, term or prefix and/or suffix.

18.14 Surviving Provisions. Termination or expiration of this Agreement will not affect Franchisee's (and its owners' and guarantors') obligations or liability to Franchisor for amounts owed to Franchisor under this Agreement or for Franchisor's damages attributable to the loss of bargain resulting from termination of this Agreement before its expiration. Also, termination or expiration of this Agreement will not affect Franchisee's (and its owners' and guarantors') obligations under: Section 13 relating to Developer's acknowledgements of the Franchisor's rights in the Proprietary Marks; Section 14 relating to confidential information and copyrighted works; Section 18 relating to Franchisee's obligations (and Franchisor's rights) on termination or expiration of this Agreement; Section 19.3 relating to indemnification obligations; Section 20 relating to restrictive covenants and confidentiality of proprietary information and trade secrets; Section 22 relating to applicable law, jurisdiction and venue, injunctive relief, costs of enforcement, jury waiver, and limitations of claims; or any other agreements between the parties, which, by their terms or intent, survive termination or expiration of this Agreement.

## 19 INDEPENDENT CONTRACTOR

19.1 Independent Contractor. Franchisee acknowledges that it is an independent contractor and is not an agent, member, partner, joint venturer, Affiliate or employee of 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. Franchisor and 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. Franchisee shall conspicuously identify itself in all dealings with the public as an entity separate from 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 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 in writing by Franchisor that clearly indicates that the Franchised Store is independently owned and operated as a Franchised Store.

**19.2 Payment of Third Party Obligations.** Franchisor shall have no liability for 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 Franchisee, Franchisee's property, the Franchised Store or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

**19.3 Indemnification.** Franchisee agrees to indemnify, defend and hold harmless Franchisor and its Affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assigns, (the "Indemnified Parties") against, and to reimburse them for all claims, losses, liabilities, and costs described in this Section, any and all third party obligations described in Section 19.2 above and any and all claims, losses, liabilities, and costs directly or indirectly arising out of the ownership or operation of the Franchised Store or arising out of the use of the Proprietary Marks and System by Franchisee. For purposes of this indemnification, "claims, losses, liabilities, and costs" shall include: all claims; causes of action; fines; penalties; liabilities; losses; actual, compensatory, consequential, exemplary, statutory, punitive or other damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys' and experts' fees and disbursements; arbitrator's fees; settlement amounts; judgments; compensation for damage to Franchisor's reputation and goodwill; costs of or resulting from delays; travel, food lodging and other living expenses necessitated by the need or desire to appear before or witness the proceedings of courts or tribunals (including arbitration tribunals), or government or quasi-governmental entities (including those incurred by the Indemnified Parties' attorneys and/or experts); costs of investigation and proof of facts; all expenses of recall, refunds, compensation and public notices; and other such amounts incurred in connection with the matters described. All such losses and expenses incurred under this indemnification provision will be chargeable to and paid by Franchisee, regardless of any actions, activity or defense undertaken by the Indemnified Parties or the subsequent success or failure of the actions, activity or defense. Any attorneys used by Franchisee in the defense of any action subject to indemnification under this Section, must be chosen or approved in writing by Franchisor. At Franchisee's expense and risk, Franchisor may elect to assume (but under no circumstances will Franchisor be obligated to undertake) the defense and/or settlement of any action subject to indemnification under this Section. Franchisor's undertaking of defense and/or settlement will in no way diminish Franchisee's obligation to indemnify Franchisor and the other Indemnified Parties and to hold Franchisor and the other Indemnified Parties harmless and to pay the cost of the defense and/or settlement. Franchisor will have the right, at any time it considers appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions Franchisor considers expedient with respect to the action if, in Franchisor's

sole judgment, there are reasonable grounds to do so. 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 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 Franchisee's right to compete only to the extent necessary to protect 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.** 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 Franchisor's written consent. Franchisee acknowledges that the Proprietary Marks and the System have valuable goodwill attached to them, that the protection and maintenance thereof is essential to Franchisor and that any unauthorized use or disclosure of the Proprietary Marks will result in irreparable harm to Franchisor.

(a) Franchisee acknowledges that the Trade Secrets and other Confidential Information are valuable assets of Franchisor and are disclosed to Franchisee on the condition that Franchisee, and Franchisees' owners, the 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 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 Franchisor may require periodically, and provide Franchisor, at 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 Franchisee is legally compelled to disclose the information, if Franchisee has notified Franchisor before disclosure and used Franchisee's best efforts, and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

(c) Franchisee must disclose to Franchisor all ideas, concepts, methods, techniques and products concerning the development and operation of Franchised Stores Franchisee or 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 Franchisee must grant to Franchisor and agree to procure from Franchisees' Affiliates, owners, and 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 Franchisee or Franchisees' employees conceive or develop during the Term in all businesses Franchisor operates. Franchisor will have no obligation to make any lump sum or on-going payments to Franchisee with respect to any such idea, concept, method, technique or product. Franchisee must agree that Franchisee will not use nor will Franchisee allow any other Person to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

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

## 21 INSURANCE

21.1 Insurance Coverage. Franchisee must obtain and provide Franchisor with evidence of insurance with the coverages and in the amounts specified by Franchisor. Evidence of this insurance must be initially provided at least fourteen days before beginning operation of the Franchised Store. Certificates of renewal must be provided no later than fourteen days before the expiration date of each policy. If Franchisee does not provide Franchisor with evidence of any required insurance policies at any due date, Franchisor may (but is not obligated to) purchase that insurance at Franchisee's expense. Franchisee must immediately pay for any insurance obtained by Franchisor. Franchisor may modify the specified insurance requirements from time to time in Franchisor's sole and absolute discretion. Franchisee must comply with the modified insurance coverages within 30 days of written notice from Franchisor.

21.2 Policy Requirements. Each required insurance policy must meet the following requirements: (a) all liability policies must name Franchisor (and any Affiliates or representatives of Franchisor that Franchisor may reasonably specify) as an additional insured and certificate holder on the form specified by Franchisor (liability policies obtained by massage therapists must also name Franchisee as an additional insured); (b) the policy must not be subject to cancellation, modification or amendment except after 30 days written notice to Franchisor; (c) the insurance must be obtained from or through a designated or approved Supplier, as specified by Franchisor, and an insurance carrier with an AM Best's Rating of not less than A-IX; (d) the policy must provide that failure by Franchisee to comply with any term, condition or provision of the insurance contract, or other conduct by Franchisee, will not void or otherwise affect the coverage afforded Franchisor or its Affiliates or representatives (e.g. Franchisor, although named

as an insured, will nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its agents or employees by reason of the negligence of Franchisee or Franchisee's agents or employees); (e) the applicable policies must cover Franchisee's indemnification obligations under this Agreement; (f) the policy will be primary to and without right of contribution from any insurance purchased by Franchisor; and (g) the policy must contain a waiver of subrogation in favor of Franchisor for casualty losses. Franchisee's obligation to obtain and maintain the policies of insurance in the minimum amounts specified by Franchisor will not be limited in any way by reason of any insurance that may be maintained by Franchisor nor will Franchisee's obligation to obtain insurance relieve Franchisee of its liability for indemnification as provided in Section 19.3 of this Agreement.

**21.3 Acknowledgements.** Franchisee acknowledges that the insurance coverages and amounts specified by Franchisor reflect minimum required amounts and are not meant to reflect Franchisee's actual insurance coverage needs. It is Franchisee's responsibility to carefully evaluate its insurance needs and to obtain the insurance coverages and amounts as necessary to satisfy those insurance needs.

**21.4 Franchisor's Right to Reports of Losses and EMOD.** Franchisee must provide and authorize the Franchisee's insurance carriers to provide Franchisor monthly, quarterly, and/or annual reports (as specified by Franchisor) of losses paid by the Franchisee's insurance carriers on behalf of the Franchisee for losses suffered under the Franchisee's insurance policies. In addition, Franchisee must provide and authorize Franchisee's insurance carriers to provide proof of Franchisee's Worker's Compensation experience modification (EMOD). Franchisee hereby grants Franchisor a power-of attorney, authorizing Franchisor to obtain whatever loss reports or EMOD reports Franchisor determines, in its sole discretion, are necessary to protect the integrity of the Proprietary Marks and System or for any other reasonable business purpose. Franchisee agrees to cooperate with Franchisor and Franchisee's insurance carriers to enable Franchisor to obtain the insurance loss reports and EMOD reports as promptly and efficiently as possible, which cooperation may include providing written authorization to permit Franchisor to obtain the reports, in addition to the power of attorney granted in this Section.

## **22 LAW AND JURISDICTION; INJUNCTIVE RELIEF; COSTS OF ENFORCEMENT; JURY WAIVER; LIMITATIONS OF CLAIMS**

**22.1 Applicable Law.** This Agreement takes effect on its acceptance and execution by Franchisor in Michigan. Except for the applicability of the U.S. Trademark Law or other applicable federal law, all controversies, disputes or claims arising from or related to: (a) this Agreement or any other agreement between Franchisee (or Franchisee's owners or Affiliates) and Franchisor (or Franchisor's Affiliates); (b) Franchisor's relationship with Franchisee; (c) the validity of this Agreement or any other agreement between Franchisee (or Franchisee's owners or Affiliates) and Franchisor (or its Affiliates); or (d) any standard under the Massage Green Spa franchise system and/or Operations Manual; will be interpreted and construed under the laws of Michigan. In the event of any conflict of law, the laws of Michigan will prevail, without regard to the application of Michigan conflict-of-law rules. If, however, any provision of this Agreement would not be enforceable under the laws of Michigan, and if Franchisee's business is located outside of Michigan and such provision would be enforceable under the laws of the state

in which Franchisee's business is located, then such provision will be interpreted and construed under the laws of that state. Notwithstanding the foregoing, this Agreement will not be subject to any franchise or similar law, rule, or regulation of the State of Michigan unless the jurisdictional requirements of that law are met independently without reference to this Section.

**22.2 Jurisdiction and Venue.** Franchisee and 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 Franchisee (or its owners, officers, directors, or Affiliates) and Franchisor (or its officers, directors, members, Affiliates, or sales employees) both parties agree that the exclusive jurisdiction for disputes between them shall be the U.S. Federal Courts for the Eastern District of Michigan or the State Courts for Oakland County, Michigan and each waive any objection either may have to the personal jurisdiction of or venue in the State of Michigan. Franchisee irrevocably submits to the jurisdiction of such courts and waives any objection Franchisee may have to either the jurisdiction or venue in such courts. In the event that any party files an action in any forum or jurisdiction in violation of the this 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. Notwithstanding the foregoing, Franchisee (and its owners, officers, directors, or Affiliates) agree that Franchisor may enforce this Agreement and any judgments and awards in the courts of the state or states in which Franchisee or he or she is domiciled or located.

**22.3 Injunctive Relief.** Franchisor will have the right, without the posting of any bond or security and without the need to prove irreparable injury, to obtain specific enforcement of the terms of this Agreement from a court of competent jurisdiction, by temporary or permanent injunctions or other equitable relief. Franchisor will have the right, without limitation, to obtain injunctive relief to prevent Franchisee from engaging in the following acts, which Franchisee acknowledges would cause irreparable harm to Franchisor: (a) using any of the rights franchised by this Agreement in any manner not authorized in this Agreement; (b) engaging in operations in violation of the in-term and post-term restrictions on competition set forth in Section 20; (c) disclosing to any Person or using the Confidential Information in violation of the terms of this Agreement; (d) engaging in a transfer or attempted transfer without complying with this Agreement; (e) engaging in acts or practices in violation of applicable laws and regulations or that are fraudulent, dishonest or create health or other hazards to the public; or (f) significantly impairing the goodwill associated with Franchisor. The sole remedy of Franchisee, in the event of entry of an injunction, will be the dissolution of the injunction, if warranted, after notice and a hearing (all claims for damages by reason of the wrongful issuance of any injunction are being expressly waived by Franchisee). Franchisor's rights to obtain injunctive relief are in addition to all other remedies available to Franchisor under applicable law.

**22.4 Costs of Enforcement.** Franchisee must pay Franchisor, on demand, for any costs and expenses, including attorneys' fees, incurred by Franchisor in connection with the enforcement of Franchisee's obligations under this Agreement. Attorneys' fees includes paralegal fees, administrative costs, investigative costs, costs of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorney.



22.5 No Class Action or Consolidation. Franchisor and Franchisee agree that any litigation will only be conducted on an individual, not a class-wide basis, and that a litigation proceeding between Franchisor and Franchisee may not be consolidated with any other litigation proceeding between the parties and any other individual, corporation, limited liability company, partnership or other entity. The parties waive, to the fullest extent allowed by law, any right to pursue or participate as a lead plaintiff or a class representative in any claim on a class or consolidated basis.

22.6 Jury Waiver; Time Period for Bringing Claims; Limitation of Damages.

SUBJECT TO APPLICABLE STATE LAW, FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

ALL CLAIMS BY FRANCHISEE ARISING UNDER THIS AGREEMENT OR FROM THE RELATIONSHIP BETWEEN THE PARTIES ARE BARRED UNLESS AN ACTION IS FILED BY FRANCHISEE AND TIMELY SERVED ON FRANCHISOR WITHIN ONE YEAR FROM THE DATE FRANCHISEE KNEW OR SHOULD HAVE KNOWN OF THE FACTS CREATING THE CLAIM, EXCEPT TO THE EXTENT ANY APPLICABLE LAW OR STATUTE PROVIDES FOR A SHORTER PERIOD OF TIME TO BRING A CLAIM OR AS OTHERWISE REQUIRED BY LAW.

FRANCHISEE WAIVES IN ANY JUDICIAL ACTION, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OF ANY SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES AGAINST FRANCHISOR AND AGREES THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, FRANCHISEE WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED FRANCHISEE.

23 MISCELLANEOUS PROVISIONS

23.1 Modification. This Agreement may only be modified or amended by a written document executed by Franchisee and Franchisor. Franchisee acknowledges that 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 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. Franchisee agrees and understands that 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. 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 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 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 Franchisor in the Franchise Disclosure Document.

23.3 Review of Agreement. 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 Franchisee has had the opportunity to submit the same to advisors, including attorneys, consultants and accountants regarding professional review and advice of 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 Franchisor to consult an attorney or other advisor prior to the execution of this Agreement to review 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. 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 Franchisee.

23.5 Delegation by Franchisor. From time to time, 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 Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder.

23.6 Guaranties. Each of the owners of Franchisee and their spouses must agree to be personally bound by all of Franchisee's obligations under this Agreement by signing the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit FA 2. Also, if an

Affiliate of Franchisee operates a Massage Green Spa franchise, the Affiliate must guaranty all of Franchisee's obligations to Franchisor by signing the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit FA 2.

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 Franchisor or Franchisee shall be considered to imply or constitute a further waiver by Franchisor or 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 Franchisor as evidenced by dating and signing by an officer of 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 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 described 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 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 Franchisor to:

**In the case of Franchisor to:**

**MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.**  
2254 Cole Street, Suite E  
Birmingham, Michigan 48009  
Attention: President/CEO  
Email: [allie@massagegreenspa.com](mailto:allie@massagegreenspa.com)

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

Butzel Long  
Stoneridge West  
41000 Woodward Avenue  
Bloomfield Hills, Michigan 48304  
Attention: John A. Forrest, Esq.  
Email: [forrest@butzel.com](mailto:forrest@butzel.com)

**In the case of Franchisee to:**

See Exhibit FA 1

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.

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

**23.12 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.

**23.13 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.

**23.14 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.

**23.15 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.

**23.16 Definitions of Person and Affiliate.** The following definitions apply to this Agreement:

(a) Person. A "Person" is any individual, trust, corporation, limited liability company, partnership, sole proprietorship, joint venture, business division, business trust, estate, cooperative, unincorporated association, or other entity, whether or not a legal entity, or any government or a department, instrumentality, political subdivision, or instrumentality of or exercising the authority of government.

(b) Affiliate. As applied to any Person as of the date of determination, an "Affiliate" is: (i) if the Person is a corporation, partnership, or limited liability company, then a shareholder, officer, director, partner, member, manager, or equity owner of the Person; (ii) if the Person is a holder of shares of stock, a partnership interest, a membership interest, or other equity constituting more than 10% of the outstanding equity of a privately held (or more than 5% of the outstanding equity of a publicly held) corporation, partnership, or limited liability company, as applicable, then that corporation, partnership, or limited liability company; (iii) another Person who, directly or indirectly, or through one or more intermediaries, controls or is controlled by or is under common control with that Person, where the term "control" means the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; (iv) another Person otherwise considered in a relationship with such Person within the meaning of Internal Revenue Code Section 267(b), including, without limitation, members of a family and certain trusts; and/or (v) an affiliate within the meaning of Rule 12b-2 under the Securities Exchange Act of 1934.

23.17 Days. Unless otherwise specifically set forth herein, the term "days" shall refer to calendar days.

23.18 Franchisor's Absolute Right to Withhold Approval or Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request therefore and such approval must be obtained in writing. Except where this Agreement expressly obligates Franchisor to reasonably approve or consent to (or not to unreasonably withhold its approval of or consent to) any action or request by Franchisee, Franchisor has the absolute right for any reason to refuse any request by Franchisee or to withhold Franchisor's approval of or consent to any action by Franchisee. Franchisor may also consider at its option and, in its sole discretion, other reasonable prior requests severally submitted in writing by Franchisee for Franchisor's waiver of any obligation imposed by this Agreement. 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.

23.19 Independent Status of Contract; Uniformity of Agreements. Franchisee understands and agrees that Franchisor is entering into this Agreement with Franchisee independently and separately from any franchise or license that Franchisor may grant to any other Person, and that Franchisee is not entering into this Agreement in reliance on or because of any other agreement that Franchisor may have entered into with a third party. Franchisee understands and agrees that the terms of Franchisor's agreements with third parties, now and in

the future, may be materially different with respect to any terms and condition of this Agreement, including but not limited to, royalty fees, advertising fees, transfer fees, territorial exclusivity, renewals, training, authorized products and services, authorized suppliers, etc. These variations may be based on any factors or conditions that Franchisor deems to be in the best interest of the Massage Green franchise system or a particular Franchised Store, including but not limited to, peculiarities of a particular location, customer base, density, lease provisions, business potential, population of trade area, existing business practices, test marketing of products or services, or any other condition that Franchisor deems to be of importance to the operation of a specific Franchised Store. Also, these variations may result from Franchisor, in its sole discretion, compromising, forgiving, or settling claims or disputes with or against other Franchisees. Franchisee will not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

## 24 ACKNOWLEDGMENT

24.1 BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF ADVISORS OF HIS OR HER CHOICE, INCLUDING ATTORNEYS, ACCOUNTANTS OR CONSULTANTS. 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 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 FRANCHISOR IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT, AND

FRANCHISEE ACKNOWLEDGES THAT FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE MASSAGE 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.**

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

By: \_\_\_\_\_  
Allie Mallad, CEO

**FRANCHISEE**

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

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

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

OR (if Franchisee is an individual)

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

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

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

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

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

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



## 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 FA 1

### ADDENDUM TO MESSAGE 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. **Territory:** The Territory referred to in Section 2.1 of the Franchise Agreement shall be:

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

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

4. **Approval of Franchised Location.** By execution hereof, Franchisor approves the Target Area and Franchisee acknowledges and warrants that 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 Franchisee's abilities as an independent business person and other factors beyond Franchisor's control. Once the address of the Franchised Location has been determined and approved under Section 4.1 of the Franchise Agreement, Franchisor will insert the address below and send a revised copy of Exhibit FA 1 to Franchisee.

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

5. **Designated Agent.** The Designated Agent referred to in Section 9.1(a) is \_\_\_\_\_

6. **Franchisee's Address for Notice.** Franchisee's address for purposes of notice under Section 23.10 is:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

7. **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 Franchisor. The Proprietary Marks are licensed only for the Franchised Location.

8. **Normal Business Hours.** Shall be from 9:00 a.m. to 9:00 p.m. for every day of the year, except for Easter Sunday, Thanksgiving, Christmas Day, and New Year's Day, unless otherwise specified by Franchisor.

**MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.**

**FRANCHISEE**

By: \_\_\_\_\_  
Allie Mallad, CEO

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

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

OR (if Franchisee is an individual)

\_\_\_\_\_  
Individual

## EXHIBIT FA 2

### GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

Each of the persons signing this Guaranty and Assumption of Franchisee's Obligations (this "Guaranty"), each referred to as a "Guarantor," in order to induce MASSAGE GREEN INTERNATIONAL FRANCHISE CORP. ("Franchisor") to enter into a Franchise Agreement, dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, with \_\_\_\_\_ ("Franchisee"), unconditionally and absolutely guaranties payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness ("Indebtedness") of Franchisee to Franchisor or any Affiliate of Franchisor or to the Massage Green Local Advertising Cooperative (if applicable). Indebtedness includes without limit: any and all obligations or liabilities of Franchisee to Franchisor under the Franchise Agreement or any other agreement between the Franchisor or its affiliates and Franchisee or otherwise arising, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all indebtedness, obligations or liabilities for which Franchisee would otherwise be liable to Franchisor were it not for the invalidity, irregularity or unenforceability of them by reason of any bankruptcy, insolvency or other law or order of any kind, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; and all costs of collecting Indebtedness, including, without limit, actual attorney fees. In addition, each Guarantor agrees as follows:

1. Guarantor agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise 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, Section 20.4, Nondisclosure and Noncompetition, and Section 22, Law and Jurisdiction, Injunctive Relief, Costs of Enforcement, Jury Waiver, and Limitations of Claims.
2. This Guaranty is a continuing guaranty of payment and not of collection and remains effective whether the Indebtedness is from time to time reduced and later increased or entirely extinguished and later reincurred.
3. Guarantor will pay to Franchisor all costs and expenses, including reasonable attorney fees, incurred in enforcing this Guaranty.
4. If any Indebtedness is guaranteed by two or more guarantors, the obligation of Guarantor will be several and also joint, each with all and also each with any one or more of the others, and may be enforced at the option of Franchisor against each severally, any two or more jointly, or some severally and some jointly. Franchisor, in its sole discretion, may release any one or more of the Guarantors for any consideration that it deems adequate, and may fail or elect not to prove a claim against the estate of any bankrupt, insolvent, incompetent or deceased Guarantor; and after that, without notice to any Guarantor, Franchisor may extend or renew any or all Indebtedness and may permit Franchisee to incur additional Indebtedness, without

affecting in any manner the unconditional obligation of the remaining Guarantors. Guarantor acknowledges that the effectiveness of this Guaranty is not conditioned on any or all of the indebtedness being guaranteed by anyone else.

5. Guarantor, to the extent not expressly prohibited by applicable law, waives any right to require Franchisor to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Franchisee or any other person, or otherwise comply with the provisions of Sections 9-611 or 9-621 of the Michigan or other applicable Uniform Commercial Code, as the same may be amended, revised or replaced from time to time; or (c) pursue any other remedy in Franchisor's power. Guarantor waives notice of acceptance of this Guaranty and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which Guarantor might otherwise be entitled, and diligence in collecting any Indebtedness, and agrees that Franchisor may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew, or forbear to enforce payment of any or all Indebtedness, or permit Franchisee to incur additional Indebtedness, all without notice to Guarantor and without affecting in any manner the unconditional obligation of Guarantor under this Guaranty.

6. Guarantor unconditionally and irrevocably waives each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Guarantor under this Guaranty, and acknowledges that each such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Guarantor now or later securing this Guaranty and/or the Indebtedness, and acknowledges that as of the date of this Guaranty no such defense or setoff exists.

7. This Guaranty is an absolute and continuing guarantee and will remain in effect unless revoked in writing by Guarantor.

8. As long as Franchisee owes any monies to Franchisor (other than payments that are not past due) Franchisee will not pay and Guarantor will not accept payment of any part of any indebtedness owed by Franchisee to Guarantor, either directly or indirectly, without the consent of Franchisor.

9. This Guaranty constitutes the entire agreement of Guarantor and Franchisor with respect to the subject matter of this Guaranty. No waiver, consent, modification or change of the terms of the Guaranty will bind any of Guarantor or Franchisor unless in writing and signed by the waiving party or an authorized officer of the waiving party, and then this waiver, consent, modification or change will be effective only in the specific instance and for the specific purpose given. This Guaranty will inure to the benefit of Franchisor and its successors and assigns and will be binding on Guarantor and Guarantor's heirs, legal representatives, successors and assigns including, without limit, any debtor in possession or trustee in bankruptcy for Guarantor. Guarantor has knowingly and voluntarily entered into this Guaranty in good faith for the purpose of inducing Franchisor to extend credit or make other financial accommodations to Franchisee.

If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective.

10. THIS GUARANTY WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN (WITHOUT REFERENCE TO THE CONFLICT OF LAWS PROVISIONS). GUARANTOR IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE COURTS OF OAKLAND COUNTY MICHIGAN AND TO THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN AND WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. SERVICE OF PROCESS MAY BE MADE ON GUARANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS GUARANTY OR GUARANTOR'S RELATIONSHIP WITH FRANCHISOR BY ANY MEANS ALLOWED BY MICHIGAN OR FEDERAL LAW. VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS GUARANTY WILL BE THE STATE COURTS IN OAKLAND COUNTY MICHIGAN OR THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

11. GUARANTOR ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. GUARANTOR, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS CHOICE, KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE INDEBTEDNESS.

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

\_\_\_\_\_  
GUARANTOR

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

\_\_\_\_\_  
GUARANTOR

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

\_\_\_\_\_  
GUARANTOR

\_\_\_\_\_  
Corporate, LLC or Partnership Guarantor

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

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

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

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

Notary Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public, \_\_\_\_\_, County, \_\_\_\_\_

Commission Expires: \_\_\_\_\_

Acting in the County of: \_\_\_\_\_

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

Notary Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public, \_\_\_\_\_, County, \_\_\_\_\_

Commission Expires: \_\_\_\_\_

Acting in the County of: \_\_\_\_\_

### EXHIBIT FA 3

#### 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 \_\_\_\_\_

Email \_\_\_\_\_

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

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

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Email \_\_\_\_\_

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

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

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Email \_\_\_\_\_

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

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



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

3. ALL OWNERS MUST SIGN:

|       |              |
|-------|--------------|
| _____ | Dated: _____ |
| _____ | Dated: _____ |
| _____ | Dated: _____ |
| _____ | Dated: _____ |

**EXHIBIT FA 4**

**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 entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("DEPOSITORY") to debit or credit 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: \_\_\_\_\_

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

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

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

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

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

## EXHIBIT FA 5

### COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS AND LISTINGS AND ELECTRONIC MEDIA

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 Spa Franchised Store located at \_\_\_\_\_ (the "Franchised Store").

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor all Telephone Numbers and Listings and Electronic Media used from time to time in connection with the operation of Franchisee's Massage Green Spa Franchised Store and/or including Franchisor's names or trademarks. For purposes of this Assignment, "Telephone Numbers and Listings" include all telephone numbers, fax numbers, and regular, classified, or other telephone directory listings. For purposes of this Assignment, "Electronic Media" includes Internet, email addresses, Internet domain names, homepages, electronic addresses, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, or other social media accounts or participations (including but not limited to Facebook, Twitter, LinkedIn, YouTube, Pinterest, and Instagram), and other digital media (such as mobile phones—SMS and MMS). 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 companies, telephone directory services, Internet companies and other public or private businesses using, authorizing or providing any of the Telephone Numbers and Listings and the Electronic Media (the "Providers") 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 Electronic Media, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the Electronic Media, but shall remain liable to the Providers for all past due fees owing to the Providers 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 Electronic Media, 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 Providers 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 Providers to assign the Telephone Numbers and Listings and the Internet Media to Franchisor. If Franchisee fails to promptly direct the Providers to assign the Telephone Numbers and Listings and the Electronic

Media to Franchisor, Franchisor shall direct the Providers to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Providers 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 Electronic Media upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon the Providers' receipt of such notice from Franchisor or Franchisee. The parties further agree that if a Provider requires that the parties execute the Provider'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**

**MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.**

\_\_\_\_\_

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

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

**ASSIGNOR**

**FRANCHISEE**

\_\_\_\_\_

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

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)

## **EXHIBIT FA 6**

### **FORM OF LEASE ADDENDUM**

Any lease signed by Franchisee for the Franchise Location must be amended by an Addendum to Lease in the following form or must contain the provisions included in the Addendum (except to the extent Franchisor agrees to waive any particular provisions).

## ADDENDUM TO LEASE

This Addendum to Lease is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Lease Agreement dated the same date (the "Lease") entered into by \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Landlord") for premises located at \_\_\_\_\_ (the "Premises").

**1. Introduction.** Franchisee has entered into a Franchise Agreement with Massage Green International Franchise Corp. ("Franchisor"). The Franchise Agreement requires Franchisee's lease for the Premises to contain certain provisions. In consideration of the agreement of Franchisor to enter into a Franchise Agreement with Franchisee for a Massage Green Spa franchise to be located at the Premises, Landlord and Franchisee agree that the provisions contained in this Addendum will be applicable to the Lease notwithstanding anything to the contrary contained in the Lease.

**2. Use.** The Premises must not be used for any purpose other than the operation of a Massage Green Spa during the term of the Lease, including renewals.

**3. Assignment to Franchisor or another Massage Green Spa Franchisee.** Franchisee may assign all right, title and interest of Franchisee in and to the Lease and the Premises to Franchisor (including an assignment under Section 4 below) or to another Massage Green Spa franchisee approved by Franchisor without the prior approval of Landlord and without the payment to Landlord of any fees or expenses. Landlord must be provided written notice of the assignment within 30 days after the effective date of the assignment. Unless otherwise agreed by Landlord, on any such assignment of the Lease, Franchisee and any guarantors under the Lease will continue to be liable to Landlord for all obligations under the Lease.

**4. Franchisor's Option.** Landlord and Franchisee grant to Franchisor the exclusive right, exercisable at the option of Franchisor, to be assigned all right, title and interest of Franchisee in and to the Lease and the Premises on: (a) a default by Franchisee under the Lease; (b) the expiration or termination of the Franchise Agreement; or (c) Franchisee's abandonment of the Massage Green Spa operated at the Premises. For this purpose, abandonment will be conclusively presumed if Franchisee fails to have the Franchised Store open and fully operational for five consecutive days. Franchisor must give written notice of its intent to exercise this option no later than thirty (30) days after the event triggering the option. On the giving of notice of exercise by Franchisor, the Lease, and all right, title and interest of Franchisee under the Lease and to the Premises will be automatically assigned to Franchisor without need of further instrument or consent by the Landlord and without the payment of any fees or expenses to the Landlord. If Franchisor does not give notice of exercise within the thirty (30) day period, Franchisor will be deemed to have forfeited all its rights under this paragraph. Landlord and Franchisee agree to execute documents confirming this assignment in the form presented by Franchisor, including a short form of Lease suitable for recording. If Franchisor exercises its option and takes an assignment of the Lease: (i) Franchisor will not be obligated to pay any amounts due to Landlord from Franchisee under the Lease prior to the date Franchisor takes an

assignment of the Lease; those amounts will be the sole obligation of Franchisee and nonpayment will not be grounds for termination of the Lease; and (ii) Franchisor will have the right to re-assign the Lease to an affiliate of Franchisor or to a Massage Green Spa franchisee approved by Franchisor, without Landlord's prior consent and without the payment of any fees to Landlord.

**5. Liability of Guarantors.** The guaranty of any guarantors of the Lease will only apply to obligations arising during the initial term of the Lease.

**6. Franchisor's Designated Architect and General Contractor.** Franchisee is required to use Franchisor's designated architect and general contractor to design and construct the build-out of the Premises. Landlord agrees that Franchisor's designated architect and general contractor are approved to provide those services for the build-out at the Premises.

**7. Franchisor's Access.** Landlord and Franchisee grant to Franchisor the right to enter the Premises to inspect and audit the Franchisee's business or to make any modifications necessary to protect the Franchisor trademarks.

**8. Exclusivity.** If the Premises are part of a strip mall, shopping center or similar location, Landlord will not lease any other space in the mall or center to any business that offers massage services.

**9. Notice of Default and Right to Cure.** Landlord must give Franchisor written notice of any breach of Franchisee under the Lease and Franchisor will have thirty (30) days from the date of that notice to cure that default on behalf of Franchisee before Landlord exercises any remedy it may have under the Lease.

**10. Other Notices.**

(a) Landlord and Franchisee must give Franchisor 30 days prior written notice of: (i) the cancellation or termination of the Lease prior to the expiration date of the lease; (ii) an assignment or attempted assignment of the Lease by the Landlord or Franchisee; (iii) the sublease or attempted sublease of the Premises by the Franchisee; and (iv) any modification of the Lease.

(b) Landlord and Franchisee must provide written notice to Franchisor within 15 days after: (i) Franchisee exercises any option to extend the Lease; (ii) Landlord and Franchisee renew the lease; and (iii) Landlord institutes any action against Franchisee, including an eviction action.

**11. Method of Providing Notices.** All notices sent to Franchisor pursuant to this Addendum to Lease must be sent by certified or registered mail, return receipt requested, or by overnight courier, to the following address, or to such other address as to which Franchisor has notified the Landlord and the Franchisee:



Massage Green International Franchise Corp.  
Attention: Allie T. Mallad  
2254 Cole Street, Suite E  
Birmingham, Michigan 48009

**12. Modification of Premises.** Landlord and Franchisee agree that the Premises will not be modified or redecorated in any manner without the prior written approval of Franchisor.

**13. Third Party Beneficiary.** Landlord and Franchisee agree that Franchisor is a third party beneficiary of this Addendum and has the right independently of Franchise to enforce the provisions of this Addendum.

**14. Legal Effect.** Except as modified by the Addendum, the Lease will remain in full force and effect. The provisions of this Addendum will control over any inconsistent provisions contained in the Lease.

LANDLORD:

\_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

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

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

**EXHIBIT FA 7**

**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned, \_\_\_\_\_ a \_\_\_\_\_, ("Assignor"), hereby assigns to Massage Green International Franchise Corp., a Michigan corporation ("Assignee") all of Assignor's right, title and interest as tenant in, to and under a Lease Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, a copy of which is attached hereto as Exhibit A (the "Lease"), relating to premises commonly known as \_\_\_\_\_ (the "Premises"). This Assignment is for collateral purposes only and Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the Premises pursuant to the terms of this Collateral Assignment and assumes the obligations of Assignor under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and its interest in the Lease and that Assignor has not previously, and is not obligated to, assign or transfer any of its interest in the Lease or the Premises.

Assignee will have the right, but not the obligation, and is hereby empowered to take possession of the Premises, expel Assignor from the Premises, and, in such event, Assignor will have no further right, title or interest in the Lease, on the happening of any of the following events: (a) a default by Assignor under the Lease; (b) the expiration or termination of the Franchise Agreement by and between Assignor and Assignee for a Massage Green Spa franchise (the "Franchise Agreement"); or (c) Franchisee's abandonment of the Massage Green Spa operated at the Premises. For this purpose, abandonment will be conclusively presumed if Franchisee fails to have the Franchised Store open and fully operational for three consecutive business days.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewal of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that said option must be exercised, unless Assignee otherwise agrees in writing. On the failure of Assignee to otherwise agree in writing, and on failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal.

Assignee:  
Massage Green International Franchise Corp.

Assignor: \_\_\_\_\_

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

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

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

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

## EXHIBIT FA 8

### 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 Spa 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 Franchise Disclosure Document and Exhibits (the "Disclosure Document"). 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 Disclosure Document, 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 Disclosure Document, please describe these in the space provided below or write "None."

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#### PROSPECTIVE FRANCHISEE:

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

Print Name: \_\_\_\_\_

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

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

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

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT B**

**MULTI-UNIT ADDENDUM TO FRANCHISE AGREEMENTS**

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

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between MASSAGE 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 **Massage Green®** Spa 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. Nothing in this or any related agreement, however, is intended to disclaim the representations made by Franchisor in the franchise disclosure document Franchisor furnished to Franchisee. 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.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

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

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

Acknowledged before me in \_\_\_\_\_ County, Michigan, on \_\_\_\_\_, 20\_\_\_\_,  
by \_\_\_\_\_, the \_\_\_\_\_ of the MASSAGE 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, \_\_\_\_\_

Commission Expires: \_\_\_\_\_

Acting in the County of: \_\_\_\_\_



# FRANCHISE DISCLOSURE DOCUMENT

## EXHIBIT C

### 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<br>Division of Consumer Services<br>Mayo Building, Second Floor<br>Tallahassee, FL 32399-0800<br>(904) 922-2770                              | Same                                                                                                                                                                                                             |
| <b>CALIFORNIA</b> | California Commissioner of Business Oversight<br>California Department of Business Oversight<br>320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013-2344<br>(866) 275-2677 | California Commissioner of Business Oversight<br>California Department of Business Oversight<br>1515 K Street, Suite 200<br>Sacramento, CA 95814-4052<br>(916) 445-7205                                          |
| <b>ILLINOIS</b>   | Illinois Office of Attorney General<br>Franchise Bureau<br>500 South Second St.<br>Springfield, IL 62706<br>(217) 782-4465                                                                 | Illinois Office of Attorney General<br>Franchise Bureau<br>500 South Second St.<br>Springfield, IL 62706<br>(217) 782-4465                                                                                       |
| <b>INDIANA</b>    | Indiana Secretary of State<br>Securities Division<br>302 West Washington Street<br>Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681                                                  | Same                                                                                                                                                                                                             |
| <b>MARYLAND</b>   | Office of Attorney General<br>Securities Division<br>200 St. Paul Place<br>Baltimore, Maryland 21202<br>(410) 576-7042                                                                     | Same                                                                                                                                                                                                             |
| <b>MICHIGAN</b>   | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117                         | The Corporation Company<br>30600 Telegraph Road, Ste 2345<br>Bingham Farms, Michigan 48025<br><br>Michigan Department of Commerce<br>Corporations and Securities Bureau<br>670 Law Building<br>Lansing, MI 48913 |
| <b>MINNESOTA</b>  | Commissioner<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1600                                                       | Same                                                                                                                                                                                                             |

| <b>STATE</b>        | <b>STATE ADMINISTRATOR</b>                                                                                                                                                                | <b>AGENT FOR SERVICE OF PROCESS</b>                                                                                                                                                           |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NEVADA</b>       | Office of the Attorney General<br>Nevada Department of Justice<br>Carson City Office<br>100 North Carson Street<br>Carson City, Nevada 89701-4717<br>(775) 684-1100; Fax - (775) 684-1108 | Same                                                                                                                                                                                          |
| <b>NEW YORK</b>     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St., 21 <sup>st</sup> Floor<br>New York, New York 10005<br>(212) 416-8236 Phone<br>(212) 416-6042 Fax                   | Attention: New York Secretary of State<br>New York Department of State<br>One Commerce Plaza,<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, New York 12231-0001<br>(518) 473-2492 |
| <b>NORTH DAKOTA</b> | Securities Department<br>600 East Boulevard, Fifth Floor<br>Bismarck, North Dakota 58505<br>(701) 328-2910                                                                                | Same                                                                                                                                                                                          |
| <b>OREGON</b>       | Department of Consumer and Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(501) 378-4387                    | Director<br>Department of Insurance and Finance<br>21 Labor and Industries Building<br>Salem, Oregon 97310                                                                                    |
| <b>RHODE ISLAND</b> | Superintendent of Securities<br>Division of Securities<br>233 Richmond Street, Suite 232<br>Providence, Rhode Island 02903<br>(401) 277-3048                                              | Director of Department of Business Regulation<br>Suite 232<br>233 Richmond Street<br>Providence, Rhode Island 02903-4232                                                                      |
| <b>SOUTH DAKOTA</b> | South Dakota Department of Labor and Regulation<br>Division of Securities<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-4823                                     | Same                                                                                                                                                                                          |
| <b>TEXAS</b>        | Attorney General's Office<br>Consumer Protection Division<br>P.O. Box 12548<br>Austin, TX 78711<br>(512) 463-2070                                                                         | Same                                                                                                                                                                                          |
| <b>VIRGINIA</b>     | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 E. Main Street, Ninth Floor<br>Richmond, Virginia 23219<br>(804) 371-9051                           | State Corporation Commission<br>Clerk's Office<br>1300 E. Main Street, First Floor<br>Richmond, Virginia 23219<br>(804) 371-9733                                                              |
| <b>WASHINGTON</b>   | Department of Financial Institutions<br>Securities Division<br>PO Box 9033<br>Olympia, Washington 98507-9033<br>(360) 902-8760                                                            | Director of Department of Financial Institutions<br>Securities Division<br>150 Israel Rd. SW<br>Tumwater, Washington 98501<br>(360) 902-8760                                                  |

| STATE     | STATE ADMINISTRATOR                                                                                                                                            | AGENT FOR<br>SERVICE OF PROCESS |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| WISCONSIN | Department of Financial Institutions<br>Division of Securities 4 <sup>th</sup> Floor<br>345 W. Washington Avenue<br>Madison, Wisconsin 53703<br>(608) 266-1064 | Same                            |

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT D**

**CONFIDENTIAL OPERATIONS MANUAL TABLE OF CONTENTS**

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## FRANCHISE OPERATIONS MANUAL

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### Store locations

|                         |        |
|-------------------------|--------|
| New Year's Day          | Closed |
| Easter Sunday           | Closed |
| Memorial Day            | Open   |
| 4 <sup>th</sup> of July | Open   |
| Labor Day               | Open   |
| Columbus Day            | Open   |
| Veterans Day            | Open   |
| Thanksgiving Day        | Closed |
| Day After Thanksgiving  | Open   |
| Christmas Eve           | Open   |
| Christmas Day           | Closed |
| New Year's Eve          | Open   |

### Corporate Office

|                         |        |
|-------------------------|--------|
| New Year's Day          | Closed |
| Easter Sunday           | Closed |
| Memorial Day            | Closed |
| 4 <sup>th</sup> of July | Open   |
| Labor Day               | Closed |
| Columbus Day            | Open   |
| Veterans Day            | Open   |
| Thanksgiving Day        | Closed |
| Day After Thanksgiving  | Closed |
| Christmas Eve           | Open   |
| Christmas Day           | Closed |
| New Year's Eve          | Open   |

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT E**

**LOCAL ADVERTISING COOPERATIVE AGREEMENT**

**LOCAL ADVERTISING COOPERATIVE AGREEMENT**  
**FOR**  
**MESSAGE GREEN STORES IN \_\_\_\_\_**

THIS LOCAL ADVERTISING COOPERATIVE AGREEMENT (this "Agreement") is made effective \_\_\_\_\_, 20\_\_ by the Members (individually, a "Member" and collectively, the "Members") of the Massage Green Local Advertising Cooperative for \_\_\_\_\_ (the "Cooperative"). The Members agree as follows:

**ARTICLE 1—ORGANIZATION**

**Section 1.1 Purposes.**

The Cooperative was formed to act as the Massage Green Local Advertising Cooperative for the area described as follows: \_\_\_\_\_ (the "Marketing Area"). The Cooperative was formed and has been administered under the terms and conditions of the Franchise Agreements that Massage Green International Franchise Corp. (the "Franchisor") has entered into with the owners of the Massage Green Stores in the Marketing Area (the "Franchise Agreements" and each a "Franchise Agreement"). Under the Franchise Agreements, the Massage Green Stores in the Marketing Area are required to adopt a cooperative agreement governing the organization and operation of the Cooperative. This Agreement will constitute the cooperative agreement for the Massage Green Stores in the Marketing Area.

**Section 1.2 Entity for Operation of the Cooperative.**

\_\_\_\_\_, a \_\_\_\_\_ (the "Company"), was formed on \_\_\_\_\_, 20\_\_ for operation of the Cooperative. All bank accounts, books and records, reporting, and contracts for the Cooperative are and will be in the name of the Company and actions on behalf of the Cooperative may be taken in the name of the Company.

**Section 1.3 Principal Address.**

The principal address of the Cooperative will be \_\_\_\_\_. The principal address may be changed from time to time by the Members.

**ARTICLE 2—MEMBERSHIP**

**Section 2.1 Members; Designated Agent.**

Each Massage Green Store in the Marketing Area will be a Member of the Cooperative unless membership has been terminated as provided in this Agreement. This includes all Massage Green Stores in the Marketing Area, whether operated by a Massage Green Franchisee or by the Franchisor or any subsidiary or affiliate of the Franchisor. There will be one

Membership for each Massage Green Store in the Marketing Area regardless of whether the Store is owned by an individual, a group of individuals, or an entity that directly or indirectly controls one or more Massage Green Stores.

Each Member, whether that Member is an individual, a group of individuals, or an entity, will be represented by the individual designated as its designated agent in the Member's Franchise Agreement (the "Designated Agent"). A Member's Designated Agent may not be changed except with the prior written consent of the Administrator, which may be granted or denied in the sole discretion of the Administrator. The only person allowed to attend meetings of the Cooperative on behalf of a Member will be the Designated Agent of the Member.

## **Section 2.2 Membership Agreements.**

Each Member of the Cooperative must sign a Membership Agreement in the form attached to this Agreement as Exhibit A, which will obligate the Member to comply with the terms of this Agreement.

## **Section 2.3 Termination of Membership.**

The Cooperative may terminate a Member's membership in the Cooperative if the Member fails to pay required contributions and any other fees to the Cooperative within 10 days after written notice from the Cooperative, but only if the Franchisor consents to the termination. Also, a Member's membership in the Cooperative will automatically terminate if the Member ceases to own and operate at least one Massage Green Store in the Marketing Area. On termination, the terminated Member will still be responsible for any contributions due as of the date of termination.

## **Section 2.4 Non-Cooperative Members.**

Only Members of the Cooperative may participate in Cooperative sponsored events or promotions unless otherwise approved by the Members.

## **Section 2.5 Changes to Cooperative by Franchisor.**

The Members acknowledge that the Cooperative has been formed in accordance with the Franchisor's rights under the Franchise Agreements to designate a local advertising cooperative. The Members also acknowledge that the Franchisor may, in the future, change, alter, amend, or terminate its designations concerning the Cooperative.

# **ARTICLE 3—CONTRIBUTIONS BY MEMBERS**

## **Section 3.1 Members' Contributions to the Cooperative.**

Each Member must make contributions to the Cooperative in the amount, at the times, and in the manner determined by a majority vote of the Members from time to time; provided that, each Member's monthly contributions to the Cooperative will not exceed the greater of: (a) Five Percent (5%) of the Member's monthly gross sales; or (b) Three Thousand Dollars (\$3,000). Any change in contributions determined by the Cooperative will be effective no earlier than 30 days after written notice of the change to the Members. The Members' contributions to the

Cooperative will count toward the Members' minimum local advertising requirements under the Franchise Agreements.

Payment of each Member's contribution must be made by preauthorized automatic electronic funds transfer or other means specified by the Administrator. Each Member agrees to comply with procedures specified by the Administrator and/or perform such acts and deliver and execute all such documents, including authorization for direct debits from or credits to one or more accounts designated by the Member (the "Designated Accounts") as may be necessary to assist in or accomplish payment by such method. Under this procedure, each Member will authorize the Administrator to initiate debit entries and/or credit entries to the Designated Accounts for payment of contributions and other amounts owed to the Cooperative. Each Member must ensure that adequate funds are available in the Designated Accounts for withdrawal by the Administrator by electronic funds transfer no later than the due date for payment.

### **Section 3.2 Default in Payment of Contributions.**

When any Member is in default in the payment of a contribution to the Cooperative for a period of three (3) days from the due date, the Administrator may, in its discretion: (a) deny that Member the right to vote on any matter submitted for a vote of the Cooperative until that Member pays the outstanding balance; and (b) deny that Member the right to participate in Cooperative sponsored activities until that Member pays the outstanding balance. During the period that any Member has lost the right to vote or to participate in Cooperative activities, that Member will remain bound by its regular contribution obligation. In addition, a default in payment of a contribution to the Cooperative will be a default under the Member's Franchise Agreement and could result in termination of the Franchise Agreement.

### **Section 3.3 Late Charges on Delinquent Contributions.**

Each Member must pay to the Cooperative, on demand, a late charge of \$50 for each Cooperative contribution not paid when due. Also, each Member must pay to the Cooperative, on demand, interest on all overdue payments from the date the payment was due until paid equal to the lesser of: (a) 1 1/2 percent per month; or (b) the maximum rate of interest permitted by law.

### **Section 3.4 Enforcement of Members' Obligations.**

The Cooperative may enforce the obligations of delinquent or terminated Members by such means as the Cooperative may determine to be appropriate, including, but not limited to, the commencement of any legal action in any court of record. In addition to the obligations set forth in this Agreement, the measure of recovery will include costs, interest, damages and attorneys' fees incurred by the Cooperative as a result of any such legal action commenced on behalf of the Cooperative. Also, the Members acknowledge that the Franchisor has a right under the Franchise Agreements to enforce a Member's obligations under this Agreement and a failure by a Member to comply with this Agreement will constitute a default under the Member's Franchise Agreement.

### **Section 3.5 Contributions Nonrefundable.**

No Member will be entitled to a refund of any part of its contribution to the Cooperative under any circumstances, including the termination of that Member's operation of any Massage

Green Store, unless otherwise agreed by a majority of the Members of the Cooperative. Any contributions not used in a fiscal year of the Cooperative will be held for use in the following fiscal year.

### **Section 3.6 Use of Contributions.**

All contributions to the Cooperative will be expended solely for advertising and marketing of Massage Green Stores in the Marketing Area and their products and services and any administrative costs incurred by or on behalf of the Cooperative or the Company. As used in this Agreement, "advertising and marketing" expenditures will mean direct costs of media for television advertising, including time charges, agency commissions and associated costs; newspaper and print advertising, direct mail, radio advertising, outdoor advertising (billboard or transit), point of sale materials; marketing through the internet, websites, social networks, and other social media; other advertising approved by the Cooperative; and expenses incurred and related to the advertising and marketing for the Cooperative. As used in this Agreement, "administrative expenses" will mean all costs incurred in connection with the administration of the Cooperative and the Company, including, but not limited to, organizational, accounting and legal fees and expenses, filing of tax returns, payment or reimbursement of taxes, meeting room charges, photocopying, postage and shipping, payment of employees, agents, and consultants hired by the Cooperative, and administrative fees paid to the Administrator (see Article 5).

## **ARTICLE 4—MEETING OF MEMBERS**

### **Section 4.1 Management of the Cooperative.**

The Cooperative will be managed by or under the direction of the Members. The Administrator will manage the day-to-day operations of the Cooperative and the communication between the Cooperative and the Franchisor.

### **Section 4.2 Voting; Proxies.**

All Members will be entitled to vote on any matter submitted to a vote of Members. Each Member of the Cooperative will have one vote (i.e. there will be one vote for each Massage Green Store operated in the Marketing Area). Each Member of the Cooperative is encouraged to vote at each meeting, either by having its Designated Agent present at the meeting or by proxy as provided below.

A Member may grant a proxy for voting at a meeting of the Members, but only to the Administrator or a Designated Agent of another Member. Proxies must be filed in writing with the Administrator at least three (3) days prior to the start of any meeting of the Members.

### **Section 4.3 Required Vote; Quorum.**

The act of a majority of the Members entitled to vote and present in person at a meeting at which a quorum is present will be the act of the Cooperative. A majority of all the Members entitled to vote or consent on a matter will constitute a quorum for purposes of a meeting of the Members.

#### **Section 4.4 Annual Meeting and other Regular Meetings.**

The annual meeting of the Members for the purpose of electing the Administrator and for the transaction of such other business as may come before the meeting, will be held on a date and at the hour specified by the Administrator, which may be at the Massage Green National Franchise Convention. Regular meetings that have been established by the Members at a valid meeting may be held without further notice at the time and place specified by the Administrator.

#### **Section 4.5 Special Meetings.**

Special meetings of the Members may be called either by the Administrator or by Members representing not less than 30% of the Members entitled to vote.

#### **Section 4.6 Informal Action.**

Any action required to be taken at a meeting of the Members of the Cooperative, or any other action which may be taken at a meeting of the Members, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Members entitled to vote with respect to the subject matter thereof.

#### **Section 4.7 Place of Meeting.**

Meetings of Members will be held at a location in the Marketing Area designated by the Administrator or at the location of the Massage Green National Franchise Convention (if the meeting is held at the Massage Green National Franchise Convention), or such other location, either within or without the Marketing Area, as designated by the Administrator.

#### **Section 4.8 Notice of Meeting.**

Written or printed notice stating the place, day and hour of any meeting of Members will be delivered, either personally or by mail or email, to each Member entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the date of the meeting, by or at the direction of the Administrator or the Members calling the meeting. In case of a special meeting, the purposes for which the meeting is called will be stated in the notice. If all the Members meet at any time and place, either within or without the Marketing Area, and consent to the holding of a meeting, such meeting will be valid without call or notice and any Cooperative action may be taken at such meeting.

### **ARTICLE 5—ADMINISTRATION OF COOPERATIVE**

#### **Section 5.1 Rights and Responsibilities of the Members.**

(a) The Members will appoint one of the Members to act as the Administrator of the Cooperative (the "Administrator"). The Administrator will manage the day-to-day operations of the Cooperative and will have the specific rights and responsibilities described in Section 5.2. The Members will decide on reasonable compensation for the Administrator, which will not exceed 15% of the total contributions of the Members to the Cooperative.

(b) The Members will approve the advertising and marketing budget and plan for the Cooperative on a periodic basis, but at least annually. The advertising and marketing budget and plan may include the hiring of employees, agents, and consultants to provide services to the Cooperative in connection with advertising and marketing for the Members of the Cooperative.

(c) The Members will determine the amount and times and manner of payment of the contributions of the Members to the Cooperative.

(d) The Members will have other rights and responsibilities as necessary to manage the Cooperative.

## **Section 5.2 Rights and Responsibilities of the Administrator.**

(a) The Administrator will conduct the meetings of the Members of the Cooperative, including establishing agendas, sending required notices, and acting as chairperson at the meetings.

(b) The Administrator will propose advertising and marketing budgets and plans for the Cooperative for approval by the Members.

(c) The Administrator will implement the advertising and marketing budgets and plans approved by the Members of the Cooperative. These responsibilities will include oversight of all aspects of the advertising and marketing budgets and plans.

(d) The Administrator will have signature authority on the bank accounts of the Cooperative and will use those accounts to pay the expenses incurred by the Cooperative.

(e) The Administrator will have the authority to negotiate and sign contracts on behalf of the Cooperative as necessary to implement the advertising and marketing budgets and plans.

(f) The Administrator will have the authority to collect contributions owed by Members to the Cooperative.

(g) The Administrator will prepare a report for the Members, at least annually, of the receipts and disbursements of the Cooperative.

(h) The Administrator will have other rights and responsibilities as necessary to carry out the day-to-day operations of the Cooperative.

(i) The Administrator will be paid reasonable compensation for the services provided to the Cooperative, which will not exceed 15% of the total contributions of the Members to the Cooperative.



(j) The Administrator will be responsible for making any tax, corporate, or other governmental filings required to be made by the Cooperative and the Company. The Cooperative will be responsible for any filing or other fees and any tax liability incurred in connection with the Cooperative and the Company and the Administrator will be reimbursed by the Cooperative for any such amounts paid by the Administrator.

### **Section 5.3 Removal of Administrator.**

The Administrator may be removed by a vote of the Members of the Cooperative at any regular or special meeting, whenever in the Cooperative's sole judgment, the best interest of the Members would be served by the removal.

### **Section 5.4 Standard of Care: Liability.**

The Administrator must discharge his or her duties as administrator in good faith, with the care an ordinary prudent person in a like position would exercise under similar circumstances, and in a manner he or she reasonably believes to be in the best interests of the Cooperative. The Administrator will not be liable for any monetary damages to the Cooperative or the Members for any breach of Administrator's duties except for receipt of a financial benefit to which the Administrator is not entitled or a knowing violation of the law.

### **Section 5.5 Exculpation of Liability.**

Unless otherwise provided by law or expressly assumed, a person who is a Member or Administrator, or both, will not be liable for the acts, debts or liabilities of the Cooperative or the Company.

### **Section 5.6 Indemnification of Members and Administrator.**

Any person who was or is involved or is threatened to be involved, as a party or otherwise, in any threatened, pending or completed action, suit or proceeding, including any appeal relating thereto, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Cooperative) by reason of the fact that he or she is or was a Member or Administrator of the Cooperative, will, in accordance with this Section, be indemnified by the Cooperative against expenses (including attorneys' fees and costs), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding or the defense thereof, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Cooperative, and, with respect to any criminal act or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Provided, however, the foregoing indemnification will not apply unless, within a reasonable time after the institution of an action, suit or proceeding, the person seeking indemnity has given the Cooperative written notice thereof, together with a copy of the complaint or declaration filed therein.

## **ARTICLE 6—CONTRACTS**

### **Section 6.1 Execution.**

The Members of the Cooperative, by majority vote, may from time to time authorize the Administrator to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Cooperative and such authority may be general or confined to specific instances. No Member other than the Administrator has any authority to bind the Cooperative by entering into any contract or other instrument either in the Member's own name or in the name of the Cooperative.

## **ARTICLE 7—ADMINISTRATION OF FUNDS**

### **Section 7.1 Deposits.**

All funds of the Cooperative will be promptly deposited, from time to time, to the credit of the Cooperative, in such banks, trust companies or other depositories as the Administrator may select.

### **Section 7.2 Gifts.**

The Administrator may accept on behalf of the Cooperative, any contribution, gift, bequest, or devise made by any person to the Cooperative. If the contribution, gift, bequest, or devise is money, the Cooperative will use those funds for the general purposes or for any special purposes of the Cooperative. If the contribution, gift, bequest, or devise is something other than money (e.g. tickets to an event), the Administrator may use the items or distribute the items to Members in the sole discretion of the Administrator.

### **Section 7.3 Checks, Orders, Drafts.**

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Cooperative must be signed by the Administrator.

## **ARTICLE 8—BOOKS AND RECORDS**

### **Section 8.1 Record Keeping/Inspection.**

The Cooperative will keep accurate and complete books and records of account. All books and records of the Cooperative may be inspected by any Member, or his agent, or by a representative of Franchisor for any purpose at any reasonable time.

### **Section 8.2 Fiscal Year.**

The fiscal year of the Cooperative will be December 1 through November 30 unless otherwise specified by the Members.

## **ARTICLE 9—WAIVER OF NOTICE**

### **Section 9.1 Writing Required.**

Whenever any notice is required to be given under the provisions of this Agreement, a waiver thereof, in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, will be deemed equivalent to the giving of such notice.

## **ARTICLE 10—ADOPTION AND AMENDMENT OF AGREEMENT**

### **Section 10.1 Adoption.**

This Agreement may be adopted by a majority vote of the Members of the Cooperative.

### **Section 10.2 Amendment.**

This Agreement may be amended by a majority vote of the Members of the Cooperative. Ten days written notice will be given by the Administrator to all Members of the intention to alter, amend or repeal this Agreement at any meeting of the Members.

## **ARTICLE 11—MISCELLANEOUS PROVISIONS**

### **Section 11.1 Terms.**

Nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person or persons, firm or corporation may in the context require.

### **Section 11.2 Article and Section Headings.**

The Article and Section headings contained in this Agreement have been inserted only as a matter of convenience and for reference, and in no way will be construed to define, limit or describe the scope or intent of any provision of this Agreement.

### **Section 11.3 Entire Agreement.**

This Agreement constitutes the entire agreement among the Members with respect to the matters covered in this Agreement. This Agreement supersedes any and all other agreements, either oral or written, between the Members with respect to the subject matter hereof.

### **Section 11.4 Severability.**

The invalidity or unenforceability of any particular provision of this Agreement will not affect the other provisions of this Agreement, and this Agreement will be construed in all respects as if the invalid or unenforceable provisions were omitted.

### **Section 11.5 Binding Effect.**

This Agreement will be binding on and will inure to the benefit of the Members, and their respective distributees, heirs, successors and assigns.

**Section 11.6 Governing Law.**

This Agreement will be governed by, construed and enforced in accordance with the laws of the State of \_\_\_\_\_, without reference to the conflict of laws provisions.

**CERTIFICATE OF ADMINISTRATOR**

I, the undersigned, certify that I am the duly elected, qualified and acting Administrator of the Cooperative and the above Agreement was duly adopted by a majority vote of the Members of the Cooperative on \_\_\_\_\_, 20\_\_\_\_.

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

\_\_\_\_\_, Administrator

**EXHIBIT A**

**MEMBERSHIP AGREEMENT**

## MEMBERSHIP AGREEMENT

IN CONSIDERATION of membership in the Massage Green Local Advertising Cooperative for \_\_\_\_\_ (the "Cooperative"), a Local Advertising Cooperative established by the owners and operators of Massage Green Stores in the area described as follows: \_\_\_\_\_

\_\_\_\_\_ (the "Marketing Area"), the person signing this Membership Agreement ("Member"), for the Massage Green Store operated at \_\_\_\_\_

\_\_\_\_\_ (the "Massage Green Store"), agrees to be bound by the Local Advertising Cooperative Agreement for Massage Green Stores Located in \_\_\_\_\_ as it now exists or as it may in the future be amended by the members of the Cooperative (the "Local Advertising Cooperative Agreement").

Without limiting Member's Obligations under the Local Advertising Cooperative Agreement, Member acknowledges and agrees as follows:

\_\_\_\_\_ a \_\_\_\_\_  
\_\_\_\_\_ (the "Company"), has been formed for operation of the Cooperative. All bank accounts, books and records, reporting, and contracts for the Cooperative will be in the name of the Company and actions on behalf of the Cooperative may be taken in the name of the Company.

Member, whether Member is an individual, a group of individuals, or an entity, will be represented by the individual designated as its designated agent in Member's Massage Green Franchise Agreement (the "Designated Agent"). Member's Designated Agent may not be changed except with the prior written consent of the Administrator of the Cooperative, which may be granted or denied in the sole discretion of the Administrator. The only person allowed to attend meetings of the Cooperative on behalf of Member will be the Designated Agent.

Member must make contributions to the Cooperative in the amounts, at the times, and in the manner determined by a majority vote of the members of the Cooperative from time to time; provided that, Member's monthly contributions to the Cooperative will not exceed the greater of: (a) Five Percent (5%) of the Member's monthly gross sales; or (b) Three Thousand Dollars (\$3,000). Any change in contributions determined by the Cooperative will be effective no earlier than 30 days after written notice of the change to Member.

Payment of Member's contributions to the Cooperative must be made by preauthorized automatic electronic funds transfer or other means specified by the Administrator. Member agrees to comply with procedures specified by the Administrator and/or perform such acts and deliver and execute all such documents, including authorization for direct debits from or credits to one or more accounts designated by Member (the "Designated Accounts") as may be necessary to assist in or accomplish payment by such method. Under this procedure, Member will authorize the Administrator to initiate debit entries and/or credit entries to the Designated Accounts for payments of contributions and other amounts owed to the Cooperative. Member must ensure that adequate funds are available in the Designated Accounts for withdrawal by the Administrator by electronic funds transfer no later than the due date for payment.

Member's contributions to the Cooperative are in addition to and not in lieu of any advertising fund contributions the Member is required to pay to Massage Green International Franchise Corp. (the "Franchisor") under Member's Franchise Agreement with Franchisor. Member's contributions to the Cooperative will count toward Member's minimum local advertising requirements under Member's Franchise Agreement with Franchisor.

The fund established by contributions to the Cooperative will be administered by the Cooperative and the duly authorized and elected Administrator of the Cooperative and expended only pursuant to the Local Advertising Cooperative Agreement.

The Cooperative may enforce Member's obligations under the Local Advertising Cooperative Agreement by such means as the Cooperative may determine to be appropriate, including, but not limited to, the commencement of any legal action in any court of record. In addition to the obligations set forth in the Local Advertising Cooperative Agreement, the measure of recovery will include costs, interest, damages and attorneys' fees incurred by the Cooperative as a result of any such legal action commenced on behalf of the Cooperative. Also, Member acknowledges that Massage Green International Franchise Corp. has a right under Member's Massage Green Franchise Agreement to enforce Member's obligations under the Local Advertising Cooperative Agreement and a failure by Member to comply with the Local Advertising Cooperative Agreement will constitute a default under Member's Franchise Agreement.

If Member is in default in the payment of a contribution to the Cooperative for a period of three (3) days from the due date, Member may lose the right to vote on any matter submitted for a vote of the Cooperative until Member pays the outstanding balance and may not be allowed to participate in Cooperative sponsored activities or promotions until Member pays the outstanding balance. During the period that Member has lost the right to vote or to participate in Cooperative sponsored activities or promotions, Member will remain bound by its regular contribution obligations.

Member has signed this Membership Agreement on the date set forth below.

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

\_\_\_\_\_  
MEMBERS NAME (TYPED)

\_\_\_\_\_  
Authorized signature— Title

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT F**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**



**MESSAGE GREEN FRANCHISE SYSTEM**  
**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

I am an employee or trainee of \_\_\_\_\_  
(the "Company"). The Company operates or is developing a Massage Green Spa franchise under a Franchise Agreement between the Company and Massage Green International Franchise Corp. (the "Franchisor").

As an employee or trainee of the Company, I acknowledge that in the course of my employment by the Company and my training in the Massage Green Spa systems of operation, I will have access to certain Confidential Information, as defined below, about the Company's and the Franchisor's methods of establishing, developing, operating and maintaining Massage Green Spas that is confidential and not available to the public in general. I understand that the Company and the Franchisor have spent a great deal of time and money developing this Confidential Information and I acknowledge that the Company's and the Franchisor's reasonable competitive business interests would be severely and irreparably damaged if the Confidential Information that has been (or may be) revealed to me were to be disclosed to any third person, become available to the public in general, or used by me to compete with the Company or the Franchisor or any of its affiliates or franchisees. I, therefore, agree that the Company and the Franchisor have a need to protect the Company's and the Franchisor's valuable Confidential Information and I agree that in consideration of these factors, and in consideration of my employment or continuing employment with the Company and/or my training in the Massage Green Spa systems of operation, I promise and agree to be bound by the terms of this Agreement as follows:

1. I agree not to directly or indirectly disclose to any individual, sole proprietorship, company, partnership, corporation, limited liability company, joint venture or any other entity (collectively a "Person") or to use myself, any Confidential Information that I learn during my training and/or employment with the Company, except as necessary in the course of my employment with the Company. I agree that these restrictions will apply while I am in training and/or am employed by the Company and indefinitely after my training and/or employment is completed or my employment terminates.

I also agree that if my training ceases without my being employed by the Company or my employment with the Company terminates, I will immediately return to the Company or the Franchisor, all memoranda, notes and other electronic, written or printed information that is in my possession or under my control, which contains Confidential Information, including information, which although not confidential, belongs to the Company or the Franchisor or relates to the business or systems of the Company or the Franchisor. This obligation will apply regardless of whether the information was prepared by the Company, the Franchisor, a third party, or me.

The term "Confidential Information" as used in this Agreement means (i) "proprietary information," which includes techniques, processes, equipment, materials, computer programs or information, whether patentable or not, relating to the establishment, development, operation and maintenance of the Company's business or a Massage Green Spa and all related information and all other information that is confidential, unique and/or not generally known or available to the public, including but not limited to, information regarding the Company's or the Franchisor's methods,

equipment and materials relating to the development or operation of a Massage Green Spa; (ii) "trade secret" information which includes any knowledge, ideas, concepts, techniques, computer programs, systems manuals, installation guides, reports, technical manuals, operation manuals, and training programs relating to the establishment, development, operation and maintenance of the Company's business or a Massage Green Spa; (iii) "customer information" which includes information about current and prospective customers of the Company or the Franchisor, including any list that contains the names, addresses, and telephone numbers, and other contact information of the Company's or the Franchisor's employees and/or current or prospective customers, and specific information about these customers or prospective customers; and (iv) "supplier information" which includes information about current and prospective carriers, suppliers, vendors, agencies or providers of the Company or the Franchisor, including the names, addresses and telephone numbers of any such suppliers and the terms of any contracts or arrangements between the Company or the Franchisor and such suppliers.

2. I will not, while I am in training or while I am employed by the Company, nor within two (2) years of the date that training ceases without my being employed by the Company or the date of termination of my employment by the Company, directly or indirectly:

(a) use, advise on the use of or in any manner enter into or be employed in any business that uses the Confidential Information;

(b) engage in any business that is in competition with the Company or the Franchisor or its franchisees, either directly or indirectly, as principal, agent on behalf of others, jointly with others, or as a stockholder, partner, director, officer, independent contractor, employee or advisor of or to any Person, within five miles of any Massage Green Spa;

(c) have a financial interest in, or aid or assist, financially or otherwise (as a lender, stockholder, or otherwise), any Person who is engaged in a competitive business within five miles of any Massage Green Spa;

(d) employ or seek to employ any individual who is or was employed by the Company or the Franchisor or a Massage Green Spa, or directly or indirectly induce any individual to leave their employment with the Company or the Franchisor or with a Massage Green Spa.

I also agree that I will not maliciously disparage or otherwise make harmful or unfavorable statements regarding the Company or the Franchisor or a Massage Green Spa or any of their services, operations, processes or methods to anyone else.

3. Pursuant to the federal Defend Trade Secrets Act of 2016, I have been notified and understand that I will not be held criminally or civilly liable under any federal or state trade secrets law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

4. I understand that the Franchisor is the exclusive owner of all rights relating to the Massage Green Spa systems and I agree that as a condition of my training and/or employment by the Company, the Franchisor has the exclusive rights to all ideas, improvements and innovations relating to a Massage Green Spa business, which I conceive, develop or help develop during my training and/or employment.

5. I understand that the Company is an independently owned and operated Massage Green Spa franchisee and is my sole employer and solely responsible for the terms of my employment and my compensation. I further understand that the Franchisor is not directly or indirectly my employer and that the Franchisor is granted rights under this Agreement solely for the purpose of protecting the Massage Green Spa systems and brand.

6. My obligations under this Agreement will be binding on me and my heirs and personal representatives and will inure to the benefit of the Company and the Franchisor and their successors and assigns. My obligations arising out of this Agreement are in addition to and are not in any manner limitations on all obligations not to use or disclose the Company's or the Franchisor's Confidential Information as provided by law, whether expressly or by implication.

7. I acknowledge that the Company and/or the Franchisor will suffer irreparable harm if I violate or breach the promises I have made in this Agreement. I, therefore, agree that the Company and/or the Franchisor will be entitled to an injunction enjoining me and restraining me from performing and continuing to commit any violation or breach of this Agreement, in addition to any other rights and remedies it might have. Also, the Company and the Franchisor will be entitled to recover all damages and costs and expenses from me, including reasonable attorney fees and costs incurred in enforcing this Agreement. These remedies are cumulative and not alternative, and will be in addition to every remedy given under this Agreement, any other agreement between me and the Company, or now or later existing at law or in equity, by statute or otherwise. The election of one or more remedies will not constitute a waiver of the right to pursue other remedies.

8. Except as otherwise provided in this Agreement, if any provision of this Agreement or part thereof is determined by a court or agency of competent jurisdiction ("Court") to be contrary to law, the remainder of this Agreement will constitute the Agreement between me and the Company. If the Court holds all or part of this Agreement to be unreasonable or unenforceable because the restrictions imposed on me are too broad, I agree to be bound by a less restrictive covenant that imposes the maximum duty to the Company and the Franchisor permitted by law, as determined by the Court.

9. I have had an opportunity to review all the terms of this Agreement with my attorney and/or advisors and have read, understand and voluntarily accept all the terms of this Agreement.

10. I agree that any litigation will only be conducted on an individual, not a class-wide basis, and that a litigation proceeding between me and the Company or the Franchisor may not be consolidated with any other litigation proceeding between me and the Company or the Franchisor and any other person, corporation, limited liability company, partnership or other entity. I waive, to the fullest extent allowed by law, my right to pursue or participate as a lead plaintiff or a class representative in any claim on a class or consolidated basis.

11. AFTER CONSULTING WITH MY ATTORNEY OR HAVING THE OPPORTUNITY TO DO SO, I KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY (AND WITHOUT DURESS OR COERCION) WAIVE ANY RIGHT I MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED ON OR ARISING OUT OF THIS AGREEMENT OR BASED ON ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION RELATING TO THIS AGREEMENT. I WILL NOT SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS WILL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ME OR THE COMPANY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ME AND THE COMPANY.

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

\_\_\_\_\_  
Signature of Employee/Trainee

\_\_\_\_\_  
Type or Print Employee/Trainee Name

ACCEPTED:

\_\_\_\_\_  
The Company

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

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

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

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT G**

**LIST OF MASSAGE GREEN SPA FRANCHISEES**

1:07 PM  
03/22/18

**Massage Green International Franchise Corp**  
**List of Masage Green Stores**  
March 22, 2018

| Company                    | Street1                            | City             | State | Zip   | Main Phone     | Affiliate | Not Open |
|----------------------------|------------------------------------|------------------|-------|-------|----------------|-----------|----------|
| KRAMERICA INDUSTRIES, LLC  | 20118 N. 67th Avenue Suite #C308   | Glendale         | AZ    | 85308 | (623) 242-2777 |           |          |
| LCMM, LLC                  | 21227 S. Ellsworth Loop #103       | Queen Creek      | AZ    | 85142 | 1 480 586-2751 |           |          |
| MG Fontana, LLC            | 310 S. Twin Oak Valley Road        | #104 San Marcos  | CA    | 92078 | 760-425-4004   |           |          |
| MG Utica                   | 26883 Hot Springs Place            | Calabassas       | CA    | 91301 | 310-466-2299   |           | X        |
| MG West Sac, INC.          | 26883 Hot Springs Place            | Calabassas       | CA    | 91301 | 310-466-2299   |           | X        |
| MG Westland                | 26883 Hot Springs Place            | Calabassas       | CA    | 91301 | 310-466-2299   |           | X        |
| Doctors Beauty Choice, LLC | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Ernest Ramirez             | 12188 Central Avenue Suite #269    | Chino            | CA    | 91710 | 949 246-2923   |           | X        |
| Vista Massage Orange, LLC  | 3926 Grand Avenue, Suite G         | Chino Hills      | CA    | 91710 | 909-465-6776   |           |          |
| Brian Foresta              | 1312 E. Ontario Avenue             | Corona           | CA    | 92881 | 951-371-7918   | X         |          |
| Vista Massage Orange, LLC  | 14405 Baseline #420                | Fontana          | CA    | 92336 | 909-371-1050   |           |          |
| AYARSA David Gillman       | 7661 Girard Ave Suite 100          | La Jolla         | CA    | 92037 | 858-412-0300   | X         |          |
| DJSB Partners              | 179 N. McDowell Blvd.              | Petaluma         | CA    | 94954 | 707-934-4140   |           |          |
| Ernest Ramirez             | 1033 E. Imperial Hwy.              | Piacentia        | CA    | 92870 | 714-854-9363   |           | X        |
| Doctors Beauty Choice, LLC | 8710 19th Street, Suite 120        | Rancho Cucamonga | CA    | 91701 | 909-941-1144   |           |          |
| MG La Jolla                | 11660 Church Street #295           | Rancho Cucamonga | CA    | 91730 | 909-772-6860   |           | X        |
| MG Lansing                 | 11660 Church Street #295           | Rancho Cucamonga | CA    | 91730 | 909-772-6860   |           | X        |
| Vista Massage Orange, LLC  | 5565 Malachite Ave.                | Rancho Cucamonga | CA    | 91737 | 818-903-7570   |           | X        |
| St. Clair Shores           | 6041 Magnolia Avenue               | Riverside        | CA    | 92506 | 951-579-4500   |           |          |
| Tercinmegkat, Inc.         | 19510 Van Buren Pkwy               | Riverside        | CA    | 92508 | 951 697-7777   |           |          |
| Davie MGS #1, LLC          | 10755-G Scrips Poway Pkwy.         | San Diego        | CA    | 92131 | 858-689-1700   |           |          |
| Divertidos, LLC            | 2026 Cliff Drive                   | Santa Barbara    | CA    | 93109 | 805-259-1490   |           |          |
| Graydar Properties         | 32146 Corte Del Cerro              | Temecula         | CA    | 92592 | 909-573-4465   |           | X        |
| Green Corona               | 32146 Corte Del Cerro              | Temecula         | CA    | 92592 | 909-573-4465   |           | X        |
| Brian Foresta              | 40665 Winchester Avenue, Suite B-3 | Temecula         | CA    | 92591 | (951) 296-2177 | X         |          |

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**Massage Green International Franchise Corp**  
**List of Masage Green Stores**  
**March 22, 2018**

| Company                    | Street1                                   | City              | State | Zip   | Main Phone   | Affiliate | Not Open |
|----------------------------|-------------------------------------------|-------------------|-------|-------|--------------|-----------|----------|
| Wright Holdings, LLC       | 22306 Marjorie Ave.                       | Torrance          | CA    | 90505 | 310-739-8363 |           | X        |
| Vista Massage Orange, LLC  | 283 S. Mountain Avenue                    | Upland            | CA    | 91786 | 909-367-2468 |           |          |
| MG Sterling Hts.           | 2105 Town Center, Suite F-160             | West Sacramento   | CA    | 95691 | 916-486-4600 |           |          |
| Ernest Ramirez             | 14375 Orchard Parkway #200                | Westminster       | CA    | 80023 | 720-799-9700 |           | X        |
| Good Life Franchising, LLC | 32100 Clinton Keith Road                  | Wildomar          | CA    | 92595 | 951-394-7170 |           |          |
| Franklin & Hughes, INC.    | 24291 E. Orchard Road, Suite B            | Aurora            | CO    | 80016 | 720-799-9600 |           |          |
| Franklin & Hughes, INC.    | One W. Faltron Crossing Dr Bldg Suite 110 | Broomfield        | CO    | 80021 | 720-634-2727 |           |          |
| Ernest Ramirez             | 5262 N. Nevada Ave. Suite 110             | Colorado Springs  | CO    | 80918 | 719-428-0355 |           |          |
| Franklin & Hughes, INC     | 5051 Lyda Lane                            | Colorado Springs  | CO    | 80904 | 507-254-2425 |           | X        |
| Geronimeaux LLC            | 16012 Waving Branch Way                   | Colorado Springs  | CO    | 80908 | 817-675-0614 |           | X        |
| RGL Franchising, LLC.      | 2823 Eagle Circle                         | Erie              | CO    | 80516 | 720-201-4171 |           | X        |
| Robert Vergura             | 2823 Eagle Circle                         | Erie              | CO    | 80516 | 720-201-4171 |           | X        |
| Vista Massage Orange, LLC  | 8575 E. Arapahoe Road                     | Greenwood Village | CO    | 80112 | 303-502-5002 |           |          |
| Sirois Ventures, LLC       | 9579 S. University Blvd, Suite 279        | Highlands Ranch   | CO    | 80126 | 303-800-6830 |           |          |
| RGL Franchising, LLC.      | 1405 West 141st Court,                    | Westminster       | CO    | 80023 | 503-753-8034 |           | X        |
| RGL Franchising, LLC.      | 14375 Orchard Parkway #200                | Westminster       | CO    | 80023 | 720-799-9700 |           |          |
| MGS Utah, LLC.             | 542 Westport Avenue                       | Norwalk           | CT    | 06851 | 203-803-4448 |           |          |
| MGS Utah, LLC              | 400 Boston Post Road                      | Orange            | CT    | 06477 | 917-612-0626 |           |          |
| MGSBC, Inc                 | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Overflow Rain Spa Co       | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Overflow Rain Spa Co       | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Owl Now, LLC               | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Personal Wellness, LLC     | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Personal Wellness, LLC     | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Personal Wellness, LLC     | 112 Vista Road                            | Wilton,           | CT    | 06897 | 917-612-0626 |           | X        |
| Saleh Tekko                | 2526 W. Brandon Blvd.                     | Brandon           | FL    | 33511 | 813-856-1350 |           |          |
| Geronimeaux LLC            | 4401 S. Flamingo Road                     | Davie             | FL    | 33330 | 954-800-4750 |           |          |
| Pro Group, Inc.            | 4401 S Flamingo Rd., Suite 104            | Davie             | FL    | 33330 | 305-336-2537 |           | X        |
| Vista Massage Orange, LLC  | 4401 S. Flamingo Road                     | Davie             | FL    | 33330 | 954-258-3902 |           | X        |
| Sirois Ventures, LLC.      | 3708 North Ocean Blvd                     | Ft. Lauderdale    | FL    | 33308 | 954 707-6954 |           |          |
| Sirois Ventures, LLC.      | 511 SE 5th Avenue Apt. 2317               | Ft. Lauderdale    | FL    | 33301 | 954-401-3966 |           | X        |
| South Kendall MGS, LLC     | 511 SE 5th Avenue Apt. 2317               | Ft. Lauderdale    | FL    | 33301 | 954-401-3966 |           | X        |

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**Massage Green International Franchise Corp**  
**List of Masage Green Stores**  
March 22, 2018

| Company                             | Street1                        | City              | State | Zip   | Main Phone     | Affiliate | Not Open |
|-------------------------------------|--------------------------------|-------------------|-------|-------|----------------|-----------|----------|
| Divertidoso, LLC                    | 4765 Hodges Blvd. Suite 12     | Jacksonville      | FL    | 32224 | 904-503-9440   |           |          |
| DJSB Partners                       | 11737 Fitchwood Circle         | Jacksonville      | FL    | 32258 | 904-514-9135   |           | X        |
| DJSB Partners                       | 11737 Fitchwood Circle         | Jacksonville      | FL    | 32258 | 904-514-9135   |           | X        |
| MGS Utah, LLC                       | 2750 Racetrack Road Suite #101 | Jacksonville      | FL    | 32259 | 904-549-7535   |           |          |
| CJT Enterprises                     | 10601 San Jose Blvd. Sute 212  | Jacksonville,     | FL    | 32257 | 904-880-0050   |           |          |
| Geronimeaux LLC                     | 3550 SW 120 ST                 | Miami             | FL    | 33186 | 305-396-8591   |           |          |
| Tibet, Inc.                         | 12209 South Drive Highway      | Miami             | FL    | 33156 | 305 400-9240   |           |          |
| MG Birmingham II                    | 4000 NE 169 Street Suite #502  | North Miami Beach | FL    | 33160 | 305-972-4096   |           | X        |
| MG Chino, Inc.                      | 4000 NE 169 Street Suite #502  | North Miami Beach | FL    | 33160 | 305-972-4096   |           | X        |
| Lisa Flanders Gorski                | 15829 Pines Blvd.              | Pembroke Pines,   | FL    | 33027 | 954-906-3600   |           |          |
| Pro Group, Inc.                     | 10105 Cleary Blvd.             | Plantation        | FL    | 33324 | 954-794-7575   |           |          |
| Live Green Investments LLC          | 14701 Marvin Lane              | Southwest Ranches | FL    | 33330 | 786-255-3291   |           | X        |
| Live Green Investments LLC          | 14701 Marvin Lane              | Southwest Ranches | FL    | 33330 | 786-255-3291   |           | X        |
| Sahar Abdullah LLC - Clinton Twp    | 19040 Bruce B. Downs Blvd.     | Tampa             | FL    | 33647 | 813 333-7703   |           |          |
| Tibet, Inc. Coral Springs           | 286 Indian Trace               | Weston            | FL    | 33326 | 954 800-4310   |           |          |
| Sara Nazir                          | Keith E Sirois                 |                   | FL    |       | 586-899-1400   |           | X        |
| Tercinmegkat, Inc.                  | 23023 Outer Drive              | Allen Park        | MI    | 48101 | 313-436-1755   |           |          |
| Xtreme Concepts 3                   | 5568 Beckley Road              | Battle Creek      | MI    | 49017 | 269 719-8480   |           |          |
| Arrdev, LLC                         | 34110 Woodward                 | Birmingham        | MI    | 48009 | 248 723-9090   | X         |          |
| MGS Broward, LLC                    | 890 Henrietta Street           | Birmingham        | MI    | 48009 | 248-686-4490   |           | X        |
| MGS Broward, LLC                    | 890 Henrietta Street           | Birmingham        | MI    | 48009 | 248-686-4490   |           | X        |
| Tercinmegkat, Inc.                  | MG Brighton                    | Brighton          | MI    | 48116 | 1 810 229-9095 |           |          |
| Wright Holdings, LLC                | 6681 Dixie Highway             | Clarkston         | MI    | 48346 | 248 795-2752   |           |          |
| Vista Massage Orange, LLC           | 36740 Garfield Road            | Clinton Twp       | MI    | 48035 | 586-846-4981   |           |          |
| Abbas Green I LLC                   | 23624 Michigan Avenue          | Dearborn          | MI    | 48124 | 313-278-2200   | X         |          |
| Dandelion Business Investments, LLC | 664 St. Clair                  | Grösse Pointe,    | MI    | 48230 | 313-438-5050   |           |          |
| Xtreme Concepts 2                   | 4412 Stadium Drive             | Kalamazoo         | MI    | 49008 | 269 544-1400   |           |          |
| Abbas Green IV, LLC                 | 440 Frandor Avenue             | Lansing,          | MI    | 48912 | 517-679-1600   | X         |          |
| Pro Group, Inc. - Daniel Rastein    | 204 E Nepessing St             | Lapeer            | MI    | 48446 | 810-356-4646   |           |          |
| Spenley Consulting, INC.            | 29466 W. 7 Mile Road           | Livonia           | MI    | 48512 | 248-987-7333   |           |          |
| Wright Holdings, LLC                | 47460 Grand River              | Novi              | MI    | 48374 | 248 305-9295   |           |          |
| MG Troy                             | 14163 Stamford                 | Plymouth          | MI    | 48154 | 734-422-2320   |           | X        |



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**Massage Green International Franchise Corp**  
**List of Masage Green Stores**  
March 22, 2018

| Company                             | Street1                          | City              | State | Zip   | Main Phone     | Affiliate | Not Open |
|-------------------------------------|----------------------------------|-------------------|-------|-------|----------------|-----------|----------|
| MG Upland, LLC                      | 14163 Stamford                   | Plymouth          | MI    | 48154 | 734-422-2320   |           | X        |
| Ardev, LLC                          | 32425 Gratiot                    | Roseville         | MI    | 48066 | 586-636-0060   | X         |          |
| Dandelion Business Investments, LLC | 55262 Van Dyke Road              | Shelby Township,  | MI    | 48316 | 586-580-0123   |           |          |
| Dandelion Business Investments, LLC | 21920 Greater Mack Avenue        | St. Clair Shores, | MI    | 48080 | 586-777-7030   |           |          |
| AGR Franchises, LLC                 | 35728 Van Dyke Rd.               | Sterling Heights, | MI    | 48312 | 586-883-6483   | X         |          |
| Abbas Green III, LLC                | 443 E. Big Beaver Road           | Troy              | MI    | 48083 | 248-817-2489   | X         |          |
| Abbas Green II, LLC                 | 13315 Hall Road                  | Utica,            | MI    | 48315 | 586-739-5968   | X         |          |
| X Treme Green IV                    | 5134 Highland Road               | Waterford Twp     | MI    | 48327 | 248-724-2670   |           |          |
| AGR Franchises, LLC                 | 7060 N. Wayne Road               | Westland,         | MI    | 48185 | 734-247-8220   | X         |          |
| Xtreme Concepts 1, LLC              | 19420 West Road                  | Woodhaven         | MI    | 48183 | 1 734 203-7000 |           |          |
| MG Magnolia, Inc.                   | 9580 Nicholas Street Suite #315  | Omaha             | NE    | 68114 | 312-371-2920   |           | X        |
| MG Dearborn LLC                     | 19935 Center Ridge Road          | Rocky River       | OH    | 44116 | 440 791-0007   |           |          |
| MGS Broward, LLC                    | 5333 Monroe Street Suite 36      | Toledo            | OH    | 43623 | 419-930-0609   |           |          |
| MG McKinney                         | 1221 Flower Mound Rd, Suite 340  | Flower Mound      | TX    | 75028 | 972-200-1730   |           |          |
| MG Rocky River Inc                  | 3104 Springwood Road             | Flower Mound      | TX    | 75028 | 469-682-3937   |           | X        |
| MG Roseville                        | 4300 Legacy Drive, Suite 106     | Frisco            | TX    | 75034 | 972-668-7677   |           |          |
| MG Plano                            | 200 Marketplace Lane STE 215     | Highland Village  | TX    | 75077 | 469-322-3330   |           |          |
| Vista Massage Orange, LLC           | 116 S. Custer Road               | McKinney          | TX    | 75071 | 469-919-0060   |           |          |
| ARG Franchises, LLC.                | 4709 W. Parker Rd. #430          | Plano             | TX    | 75093 | 972-244-7092   | X         |          |
| Vista Massage Orange, LLC           | 4423 Tropper Court               | Spring            | TX    | 77386 | 281-362-5073   |           | X        |
| Spenley Consulting, INC             | 1851 W. Traverse Pkwy Ste. B     | Lehi              | UT    | 84043 | 1 385 336-3500 |           |          |
| Massage Green Spa - Grosse Pointe   | 3697 Canyonlands Drive           | Riverton          | UT    | 84065 | 801-232-3787   |           | X        |
| LMCC, LLC.                          | 11400 S 90 W.                    | Sandy             | UT    | 84070 | 801-810-1999   |           |          |
| LMCC, LLC.                          | 11521 S. 4000 W                  | South Jordan      | UT    | 84095 | 801-810-1883   |           |          |
| Spenley Consulting, INC.            | 11298 South Ropemaker Road       | South Jordan      | UT    | 84095 | 385-207-3397   |           | X        |
| Spenley Consulting, INC.            | 11298 South Ropemaker Road       | South Jordan      | UT    | 84095 | 385-207-3397   |           | X        |
| Jarhead and Squid LLC               | 4860 Eisenhower #384             | Alexandria        | VA    | 22304 | 330-720-1164   |           | X        |
| Green Temecula                      | 3950 University Drive Suite #101 | Fairfax           | VA    | 22030 | 703-659-8330   |           |          |
| HRP Enterprise, Inc. - Ryan Pham    | 14235 Potomac Mills Road         | Woodbridge        | VA    | 22192 | 703 595-2555   |           |          |

**FRANCHISE DISCLOSURE DOCUMENT**

**EXHIBIT H**

**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 2017 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).

MG Battle Creek, LLC  
Mohammed Janny  
Dearborn, Michigan  
313-522-8800  
(transferred a franchise in Michigan)

Minks LLC  
Mohammed Janny  
Dearborn, Michigan  
313-522-8800  
(transferred a franchise in Michigan)

Kevin and Kendra Cassidy  
Bloomfield Hills, Michigan  
586-419-0333  
(transferred a franchise in Michigan)

KFH HR LLC  
Martin D. Karaba  
Castle Pines, Colorado  
303-945-6379  
(transferred a franchise in Colorado)

Living Inquiry MGS, Inc.  
Wallin and Cheryl Foster  
Centennial, Colorado  
720-308-3771  
(transferred a franchise in Colorado)

MGLAC, Inc.  
Jim Brown  
Corona, California  
951-271-3000  
(franchise in California reacquired)

X-Treme Green I, Inc.  
Rabeei Aboukhodr  
Dearborn, Michigan  
313-333-3108  
(franchise in California reacquired)

X-Treme Green II, Inc.  
Rabeei Aboukhodr  
Dearborn, Michigan  
313-333-3108  
(franchise in California reacquired)

J & S MG Inc.  
Joe Gornall  
Newport Beach, California  
805-722-2937  
(closed a franchise in California)

Ernest Ramirez  
Chino, California  
720-799-9706  
(2 franchises in California terminated)

Divertidoso, LLC  
Paul and Sean Petty  
Colorado Springs, Colorado  
507-254-2425  
(closed a franchise in Colorado)

West Kendall MGS LLC  
Reinol Gonzalez  
Davie, Florida  
954-258-3902  
(closed a franchise in Florida)

Fouad Berry  
Dearborn, Michigan  
925-566-2960  
(closed a franchise in California)

Arrdev, LLC  
Paul, Ben and Kris Petty  
Colorado Springs, Colorado  
507-254-2425  
(closed a franchise in Arizona)

Tibet, Inc.  
Estela Alonso and Fernando Bronfman  
Miami Beach, Florida  
0054-911-3164-3980  
(closed a franchise in Florida)

Live Green Investments LLC  
Francisco Martinez-Mingo  
Davie, Florida  
305-336-2537  
(closed a franchise in Florida)

MIH Group  
Evan Rodriguez  
Southfield, Michigan  
248-569-2064  
(2 franchises in Illinois terminated)

MGS HC, LLC  
Kevin Cassidy and Doug VanDagens  
Bloomfield Hills, Michigan  
586-493-4344  
(closed a franchise in Illinois)

Perfect Touch Massage  
Gurpal Paintal  
Temecula, California  
951-727-6263  
(franchise in California terminated)

**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 requires 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 BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

4. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

Fouad Berry has been the Massage Green Area Developer for Contra Costa, Alameda and Santa Clara Counties, California since December 2012. The principal address for Fouad Berry is 179 N. McDowell Blvd., Petaluma, California 94954.

Joe Gornall and Sandy Miller have been the Massage Green Area Developers for Orange County, California since October 2014. Their principal business address is 33 Long Bay Drive, Newport Beach, California 92660.

Kamofaha, Inc., a California corporation, has been the Massage Green Area Developer for San Diego, California since October 2014. The principal address for Kamofaha, Inc. is 1927 N. Evangeline St., Dearborn Heights, Michigan 48127.

5. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

**Fouad Berry – Area Developer**

Mr. Berry has been a Massage Green Area Developer since December 2012. Since 1992, Mr. Berry has been President of F.H. Berry Enterprises, Inc. of Rohnert Park California.

**Joe Gornall – Area Developer**

Mr. Gornall has been a Massage Green Area Developer since October 2014. From July 2013 to September 2014, Mr. Gornall was a Massage Green Area Developer for Cities in the Coachella Valley area of California.

**Sandy Miller – Area Developer**

Ms. Miller has been a Massage Green Area Developer since October 2014. From July 2013 to September 2014, Ms. Miller was a Massage Green Area Developer for Cities in the Coachella Valley area of California. Since September 2001, Mr. Miller has been an Administrative Assistant with Private Management Group of Irvine, California.

**Mohammed Janny – President of Kamofaha, Inc.**

Mr. Janny has been president of Kamofaha, Inc. since October 2014. Mr. Janny has been Managing Member of Minks, LLC in Dearborn Heights, Michigan since 2007. Mr. Janny has been Managing Member of MG Battle Creek in Dearborn Heights, Michigan since December 2013. Mr. Janny has been President of ECLIC Solutions, Inc. in Dearborn Heights, Michigan since May 2006. From January 2010 to December 2012, Mr. Janny was a self-employed Mortgage Loan Officer.

**CONNECTICUT**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MGT DEVELOPMENT LLC, a Connecticut limited liability company, has been the Massage Green Area Developer for the State of Connecticut since December 2014. The principal address for MGT DEVELOPMENT LLC is 112 Vista Rd., Wilton, Connecticut 06897.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

**Robert Tobias – Member of MGT DEVELOPMENT LLC**

Mr. Tobias has been a Member of MGT DEVELOPMENT LLC since December 2014. Since 2010, Mr. Tobias has been a Managing Member of T&T Holding of Wilton, Connecticut. Since 2007, Mr. Tobias has been a Managing Member of ROC Alliance of Wilton, Connecticut. Since 2014, Mr. Tobias has been a Managing Member of Vista Massage of Wilton, Connecticut. From 2010 to 2015, Mr. Tobias was a Managing Member of Wing Nuts of Hartsdale, New York. From 2007 to 2014, Mr. Tobias was an Area Developer for ROC Wings.



## **FLORIDA**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

SOUTH FLORIDA MGS LLC, a Florida limited liability company, has been the Massage Green Area Developer for Miami, Dade, Broward and Palm Beach Counties, Florida since February 2014. The principal address for SOUTH FLORIDA MGS LLC is 4401 S. Flamingo Road, Suite 104, Davie, Florida 33330.

MG FONTANA, LLC, a Michigan limited liability company, has been the Massage Green Area Developer for Polk, Sarasota, Manatee, Hillsborough, Pinellas, Pasco, Charlotte, Lee and Collier Counties, Florida since September 2014. The principal address for MG FONTANA, LLC is 16030 Michigan Ave., Suite 200, Dearborn, Michigan 48126.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

### **Reinol Gonzalez—Member of SOUTH FLORIDA MGS LLC**

Mr. Gonzalez has been a Member of SOUTH FLORIDA MGS LLC since February 1, 2014. Since August 2014, Mr. Gonzalez has been a Member of MGS Franchises, LLC of Davie, Florida, which operates Massage Green Spa franchises. Mr. Gonzalez has been the owner or Reinol A. Gonzalez, DMD PA, a dental clinic in Davie, Florida, since December 1987. Mr. Gonzalez has been an owner of Cucam Collection, a classic car dealership in Doral Florida, since October 2012. From January 2005 to September 2013, Mr. Gonzalez was a Member of Harleys 4 Less, LLC, a classic motorcycle shop in Miami, Florida.

## **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 5 of the Franchise Disclosure Document:

The State of Illinois has imposed a financial assurance requirement because of our current financial condition as shown on the financial statements attached to this Disclosure Document. In accordance with Rules 200.500 to 200.508 under the Illinois Franchise Disclosure Law, we have the choice of assuring financial capability by one of the following means: an escrow of funds, guaranty of performance, the posting of a surety bond, the issuance of a Certificate of Deposit, or the deferral of the initial franchise fees until the franchisor has met its obligations to the franchisee and the franchisee has commenced doing business. We have elected to defer your initial franchise fees until we have met our obligations to you and you have commenced doing business. Once the initial franchise fee has been paid to us, the initial franchise fee will not be refundable.

2. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

The Franchise Agreement, as amended for the State of Illinois, provides 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) In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

## **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 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 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 SPECIFIES 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.**

### **MASSACHUSETTS**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MGT DEVELOPMENT LLC, a Connecticut limited liability company, has been the Massage Green Area Developer for the State of Massachusetts since December 2014. The principal address for MGT DEVELOPMENT LLC is 112 Vista Rd., Wilton, Connecticut 06897.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

### **Robert Tobias – Member of MGT DEVELOPMENT LLC**

Mr. Tobias has been a Member of MGT DEVELOPMENT LLC since December 2014. Since 2010, Mr. Tobias has been a Managing Member of T&T Holding of Wilton, Connecticut. Since 2007, Mr. Tobias has been a Managing Member of ROC Alliance of Wilton, Connecticut. Since 2014, Mr. Tobias has been a Managing Member of Vista Massage of Wilton, Connecticut. From 2010 to 2015, Mr. Tobias was a Managing Member of Wing Nuts of Hartsdale, New York. From 2007 to 2014, Mr. Tobias was an Area Developer for ROC Wings.

### **MINNESOTA**

1. The following is in addition to the disclosures in Item 6 of the Franchise Disclosure Document:

The franchisor will not charge a service charge for an NSF check that is in excess of the service charge allowed under Minnesota Statute 604.113, which generally puts a cap of \$30 on service charges for NSF checks.

2. The following is in addition to the disclosure in Item 13 of the Disclosure Document:

With respect to franchises governed by Minnesota law, Massage Green International Franchise Corp. will indemnify you against liability to third parties resulting from claims by third parties that your use of the Proprietary Marks infringes trademark rights of the third party, but only if (1) you have used the Proprietary Marks in accordance with the requirements of the Franchise Agreement and our specifications and (2) you have given notice to us of the claim within 10 days of receipt by you of the claim and you have tendered the defense of the claim to us. Otherwise, the Franchise Agreement does not require us to participate in your defense and/or to indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Proprietary Marks or if the proceeding is resolved unfavorably to you.

3. 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 JERSEY**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MGT DEVELOPMENT LLC, a Connecticut limited liability company, has been the Massage Green Area Developer for the State of New Jersey since December 2014. The principal address for MGT DEVELOPMENT LLC is 112 Vista Rd., Wilton, Connecticut 06897.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

#### **Robert Tobias – Member of MGT DEVELOPMENT LLC**

Mr. Tobias has been a Member of MGT DEVELOPMENT LLC since December 2014. Since 2010, Mr. Tobias has been a Managing Member of T&T Holding of Wilton, Connecticut. Since 2007, Mr. Tobias has been a Managing Member of ROC Alliance of Wilton, Connecticut. Since 2014, Mr. Tobias has been a Managing Member of Vista Massage of Wilton, Connecticut. From 2010 to 2015, Mr. Tobias was a Managing Member of Wing Nuts of Hartsdale, New York. From 2007 to 2014, Mr. Tobias was an Area Developer for ROC Wings.

### **NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.

**REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 1:

MGT DEVELOPMENT LLC, a Connecticut limited liability company, has been the Massage Green Area Developer for the State of New York (not including the Syracuse metropolitan area and Onondaga County, the Rochester metropolitan area and Monroe County, and the Buffalo metropolitan area and Erie and Niagara Counties) since December 2014. The principal address for MGT DEVELOPMENT LLC is 112 Vista Rd., Wilton, Connecticut 06897.

3. The following is in added at the end of Item 2:

**Robert Tobias – Member of MGT DEVELOPMENT LLC**

Mr. Tobias has been a Member of MGT DEVELOPMENT LLC since December 2014. Since 2010, Mr. Tobias has been a Managing Member of T&T Holding of Wilton, Connecticut. Since 2007, Mr. Tobias has been a Managing Member of ROC Alliance of Wilton, Connecticut. Since 2014, Mr. Tobias has been a Managing Member of Vista Massage of Wilton, Connecticut. From 2010 to 2015, Mr. Tobias was a Managing Member of Wing Nuts of Hartsdale, New York. From 2007 to 2014, Mr. Tobias was an Area Developer for ROC Wings.

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

Except for any actions disclosed in the Franchise Disclosure Document, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or

securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

5. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the ten (10) year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. bankruptcy code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after that officer or general partner of the Franchisor held this position in the company or partnership.

6. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

7. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for franchisee to renew or extend," and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

8. The following language replaces the "Summary" section of Item 17(d), titled "Termination by franchisee":

You may terminate the agreement on any grounds available by law.

9. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

10. The following is added to the end of the Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

### **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 1 of the Franchise Disclosure Document:

MGT DEVELOPMENT LLC, a Connecticut limited liability company, has been the Massage Green Area Developer for the State of Rhode Island since December 2014. The principal address for MGT DEVELOPMENT LLC is 112 Vista Rd., Wilton, Connecticut 06897.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

### **Robert Tobias – Member of MGT DEVELOPMENT LLC**

Mr. Tobias has been a Member of MGT DEVELOPMENT LLC since December 2014. Since 2010, Mr. Tobias has been a Managing Member of T&T Holding of Wilton, Connecticut. Since 2007, Mr. Tobias has been a Managing Member of ROC Alliance of Wilton, Connecticut. Since 2014, Mr. Tobias has been a Managing Member of Vista Massage of Wilton, Connecticut. From 2010 to 2015, Mr. Tobias was a Managing Member of Wing Nuts of Hartsdale, New York. From 2007 to 2014, Mr. Tobias was an Area Developer for ROC Wings.

3. 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."

## **TEXAS**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MG DALLAS TEXAS, LLC, a Michigan limited liability company, has been the Massage Green Area Developer for the cities of Dallas, Fort Worth, Arlington, Plano, Irving, McKinney and Allen in the State of Texas since April 2015. The principal address for MG DALLAS TEXAS, LLC is 16030 Michigan Ave., Suite 200, Dearborn, Michigan 48126.

## **UTAH**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MGS UTAH, LLC, a Utah limited liability company, has been the Massage Green Area Developer for the State of Utah since September 2015. The principal address for MGS UTAH, LLC is 11521 S. 4000 W., South Jordan, Utah 84095.

2. The following is in addition to the disclosure in Item 2 of the Franchise Disclosure Document:

### **Kyle McPhee – Member of MGS UTAH, LLC**

Mr. McPhee has been a Member of MGS UTAH, LLC since January 2015. Since 1999, Mr. McPhee has been an Owner of a Papa Murphy's Pizza franchise in Salt Lake, Utah.

## **VIRGINIA**

1. The following is in addition to the disclosure in Item 5 of the Franchise Disclosure Document:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. The following statements are added to Item 17 of the Franchise Disclosure Document:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as

that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

## **WASHINGTON**

1. The following is in addition to the disclosure in Item 1 of the Franchise Disclosure Document:

MG SEATTLE, INC., a California corporation, has been the Massage Green Area Developer for King County, Washington since May 2015. The principal address for MG SEATTLE, INC. is 16030 Michigan Ave., Suite 200, Dearborn, Michigan 48126.

2. 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.

In any arbitration involving a franchise purchased in Washington, the arbitration site must be either in the State of Washington, or in a place mutually agree on at the time of the arbitration, or as determined by the arbitrator.

## **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 MASSAGE 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(j) 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.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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. Initial Franchise Fee. Section 3.1 of the Agreement is amended by adding the following paragraph:

Notwithstanding anything to the contrary contained in the Agreement, in accordance with the imposition of a financial assurance requirement by the Illinois Attorney General's office and the regulations under the Illinois Franchise Disclosure Act, the Initial Franchise Fee will be deferred until we have met our obligations to you and you have commenced doing business. Once the Initial Franchise Fee has been paid, no portion of the Initial Franchise Fee is refundable.

2. 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.

3. Termination. The following is added as Section 18.15 of the Franchise Agreement:

18.15 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.

4. Entire Agreement. The second sentence of Section 23.2 of the Franchise Agreement is amended to read as follows:

Franchisee agrees and understands that Franchisor shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof 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.

5. Applicable Law. Section 22.1 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.

6. Jurisdiction and Venue. Section 22.2 of the Franchise Agreement is also amended by adding the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

7. Illinois Franchise Disclosure Act. The Franchise Agreement is amended by the addition of the following paragraph as Section 23.20:

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

8. 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.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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(J) 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 22.1 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 MASSAGE 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(j) 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 22.1 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.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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. Service Charge on NSF Checks. Section 3.3 of the Franchise Agreement is amended by adding the following:

Franchisor will not charge a service charge for an NSF check that is in excess of the service charge allowed under Minnesota Statute 604.113, which generally puts a cap of \$30 on service charges for NSF checks.

2. Pursuit of Infringement. Section 13.20 of the Franchise Agreement is amended by adding the following at the end of that Section:

Notwithstanding anything to the contrary contained in this Agreement, Franchisor will indemnify Franchisee against liability to third parties resulting from claims by third parties that Franchisee's use of the Proprietary Marks infringes trademark rights of the third party, but only if (a) Franchisee has used the Proprietary Marks in accordance with the requirements of this Agreement and Franchisor's specifications and (b) Franchisee has given notice to Franchisor of the claim within 10 days of receipt by Franchisee of the claim and Franchisee has tendered the defense of the claim to Franchisor.

3. 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."

4. Release on Transfer. Section 16.2(j) 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."

5. Right to Injunctive Relief. Section 22.3 of the Franchise Agreement is modified to read as follows:

22.3 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 may seek 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. 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.

6. Renewal, Transfer and Termination. The following Section 23.20 is added to the Franchise Agreement:

23.20 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 Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

7. Applicable Law, Jurisdiction and Venue. Section 22.1 of the Franchise 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.

8. 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 MASSAGE 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(j) and 17.2(d) of the Franchise Agreement are amended by adding the following at the end of each Section:

However, to the extent required by applicable law, all rights Franchisee enjoys 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 shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

2. Termination by Franchisee. Section 18 of the Franchise Agreement is modified by adding the following:

Notwithstanding the foregoing, Franchisee may terminate this Agreement on any grounds available by law.

3. Assignment by Franchisor. Section 16.6 of the Franchise Agreement is modified by adding the following:

However, no assignment will be made except to an assignee who in the good faith and judgment of Franchisor, is willing and financially able to assume Franchisor's obligations under the Franchise Agreement.

4. Applicable Law. Section 22.1 of the Franchise Agreement is amended by adding the following sentence:

The foregoing choice of law should not be considered a waiver of a right conferred on Franchisor or Franchisee by Article 33 of the General Business Law of the State of New York.

5. 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 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. Sections 22.1 and 22.2 of the Franchise Agreement are 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.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

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

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

**ADDENDUM TO MESSAGE 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 22.1 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.

MESSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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

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

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

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

**ADDENDUM TO MASSAGE GREEN INTERNATIONAL FRANCHISE CORP.  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF VIRGINIA**

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 Virginia Retail Franchising Act, the parties agree as follows:

1. Initial Franchise Fee. Section 3.1 of the Agreement is amended by adding the following paragraph:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

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 Virginia Retail Franchising Act are met independently without reference to this Amendment.

MASSAGE GREEN INTERNATIONAL  
FRANCHISE CORP.

\_\_\_\_\_  
FRANCHISEE

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.

In any arbitration involving a franchise purchased in Washington, the arbitration site must be either in the State of Washington, or in a place mutually agree on at the time of the arbitration, or as determined by the arbitrator.

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 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 22.1 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: \_\_\_\_\_

**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, 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 and Oregon** 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 name, principal business address and telephone number of each franchise seller offering the franchise *[you should write-in the names of any employees, agents or brokers of the franchisor if you have had significant contact with the person and the person is not otherwise listed]*:

|                                                                                      |                                                                                    |  |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--|
| Allie T. Mallad<br>2254 Cole Street, Suite E<br>Birmingham, MI 48009<br>248-849-9600 | Carlos Guzman<br>2254 Cole Street, Suite E<br>Birmingham, MI 48009<br>248-849-9600 |  |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--|

Issuance date: April 30, 2018

I received a disclosure document dated April 30, 2018 that included the following exhibits:

|                                                    |                                                    |
|----------------------------------------------------|----------------------------------------------------|
| Exhibit A: Franchise Agreement                     | Exhibit G: List of Franchisees                     |
| Exhibit B: Multi-Unit Addendum                     | Exhibit H: List of Franchisee's that Recently Left |
| Exhibit C: List of State Administrators and Agents | Exhibit I: Financial Statements                    |
| Exhibit D: Manual Table of Contents                | Exhibit J: State Specific Disclosures and Addenda  |
| Exhibit E: Local Advertising Cooperative Agr.      | Exhibit K: Receipts                                |
| Exhibit F: Conf. and Non-Competition Agreement     |                                                    |

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, 2254 Cole Street, Suite E, Birmingham, Michigan 48009, or by scanning a copy of the signed and dated receipt and emailing it to Massage Green at [allie@massagegreenspa.com](mailto:allie@massagegreenspa.com).

## PROSPECTIVE FRANCHISEE'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, 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 and Oregon** 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 name, principal business address and telephone number of each franchise seller offering the franchise *[you should write-in the names of any employees, agents or brokers of the franchisor if you have had significant contact with the person and the person is not otherwise listed]*:

|                                                                                      |                                                                                    |  |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--|
| Allie T. Mallad<br>2254 Cole Street, Suite E<br>Birmingham, MI 48009<br>248-849-9600 | Carlos Guzman<br>2254 Cole Street, Suite E<br>Birmingham, MI 48009<br>248-849-9600 |  |
|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--|

Issuance date: April 30, 2018

I received a disclosure document dated April 30, 2018 that included the following exhibits:

|                                                    |                                                    |
|----------------------------------------------------|----------------------------------------------------|
| Exhibit A: Franchise Agreement                     | Exhibit G: List of Franchisees                     |
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Dated: \_\_\_\_\_  
(do not leave blank)

\_\_\_\_\_  
[sign]

\_\_\_\_\_  
[print name (and title if applicable)]

\_\_\_\_\_  
[print name of entity if applicable]

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## FRANCHISOR'S COPY

Massage Green International Franchise Corp.  
Exhibit K—Receipts  
Unit/FDD Dated: April 30, 2018