FRANCHISE DISCLOSURE DOCUMENT

ZEN MASSAGE FRANCHISING, INC.
a North Carolina Corporation
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Zen Massage Franchising, Inc. ("ZMFI"), a North Carolina corporation, offers individual franchises to operate Zen Massage® Centers, which provide professional therapeutic massage and skin care services at affordable prices.

The total investment necessary to begin operation of a Zen Massage® Center franchised business ranges from $295,540 to $362,522. This includes the initial franchise fee of $39,000 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of two to three Zen Massage® Centers under a Development Agreement (including the first Center) is $324,540 to $420,522. This includes $68,000 to $97,000 that must be paid to the franchisor or its affiliate.

This "Disclosure Document" summarizes certain provisions of your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you can 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 government agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Zen Massage® Franchise Administration Department at 19911 Zion Avenue Ste. D-1, Cornelius, NC, 28031, telephone (980) 689-2760.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, such as 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," that can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date of this Disclosure Document: April 29, 2025.

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Zen Massage© Center in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Zen Massage© Center franchisee?	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit H.

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

Special Risks to Consider About *This* Franchise

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

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

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" to see whether your state requires other risks to be highlighted.

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

To simplify the language in this Disclosure Document the terms “ZMFI”, “Franchisor”, “we” or “us” means Zen Massage Franchising, Inc., the franchisor. The terms “ZMFI”, “we,” “us” and “Franchisor” do not include you, the franchisee. “You” or “Franchisee” means the person or persons, corporation, partnership or other entity that buys the franchise. If you are a corporation, partnership or other entity, certain provisions of this disclosure document also apply to your owners and will be noted. “Franchise”, “Zen Massage Center” or “Center” means a franchised Zen Massage Franchising, Inc. massage center.

ZMFI is a North Carolina corporation that is a successor in interest of Abundance Group, LLC, a North Carolina limited liability company. Abundance Group LLC was formed on July 7, 2006. Abundance Group LLC filed Articles of Conversion with the North Carolina Secretary of State on December 18, 2007, which created ZMFI. We conduct business under the mark Zen Massage® and under the names “Zen Massage®” and “Zen Massage® Center,” and we do not conduct business under any other name. We do not operate any Centers like the one you would operate if you signed a franchise agreement, however our affiliate, STRI LLC, owns and operates two Zen Massage Center franchises in Huntersville, NC and Cornelius, NC. STRI LLC is owned by our Chief Executive Officer, Keith Larson.

We have no parent company. We have been offering Franchises to third parties for the type of business being offered in this Disclosure Document since September 20, 2006.

We maintain our principal place of business at 19911 Zion Avenue Ste. D-1, Cornelius, NC, 28031. Our agents for service of process are disclosed in **Exhibit I**.

Our Business and the Franchises Offered.

We offer and sell Franchises for Zen Massage Centers. We do not engage in any other business activities. At your Zen Massage Center, you will operate a massage center, or multiple massage centers, which provide professional therapeutic massage and skin care services using our No Contracts - No Membership Fees program, unique, straightforward, Everyday Low-Price model, in a clean and professional environment, under our strong reputation, and other distinctive characteristics. Unlike other massage centers, your Center’s customers will not be charged membership fees or be required to enter into long-term contracts. We do not offer any franchise other than the Franchise described in this Disclosure Document.

Under the Franchise Agreement (the “**Franchise Agreement**”), which is attached to this Disclosure Document as **Exhibit C**, we offer you the right to establish and operate a Franchise at a single location approved by us (the “**Approved Location**”) as the only Franchisee in an identified area of at least 75,000 people within a certain geographic territory, which may be described by zip code(s) or using other methods of demarcating the territory’s boundaries (the “**Protected Territory**”). The Approved Location must be located in an area that is commercially zoned to permit a professional massage/skin care therapy business to operate. You will not be permitted to operate any other business from the Approved Location. If, at the time you enter into the Franchise Agreement, an Approved Location has not been identified, you must lease, sublease, or acquire a site for the location of the Zen Massage Center, subject to our approval, within 90 days of signing the Franchise Agreement, in accordance with the site selection addendum included in our Confidential Brand Standards Manual (the "**Manual**").

As described below in Item 12, the Franchise Agreement establishes the Protected Territory within which your Zen Massage Center must be located. Item 12 of this Disclosure Document, and the Franchise Agreement, will describe the rights that you and we will have with respect to the Protected Territory.

We also offer area developer franchises to certain qualified persons (each an "**Area Developer**"). Under the Area Development Agreement (the "**Development Agreement**"), which is **Exhibit J** to this Disclosure Document, we offer the Area Developer the opportunity to open a certain number of Franchises in one or more Protected Territories (the "**Development Area**"). An Area Developer must open these Franchises according to an agreed-upon schedule, sign the then-current Franchise Agreement for each Franchise, and operate the Franchise as required under the Franchise Agreement.

Each Franchise must operate under a prescribed system (the "**System**") relating to the establishment and operation of branded Zen Massage Center professional therapeutic massage and skin care services consistent with our brand standards as set out in the Manual (the "**Brand Standards**") under the "Zen Massage®" service mark. The distinguishing characteristics of the System include a specially designed Center layout and trade dress, non-proprietary products, custom designed website and franchisee administration, proprietary procedures for operations, quality and uniformity of services offered, procedures for management, training and assistance, and marketing, our Brand Standards, and advertising and promotional programs.

We identify the System by means of certain trade names, service marks, and logos (the "**Proprietary Marks**"), as are now designated (and may in the future be designated by us in writing) for use in connection with the System. You must use the Proprietary Marks in the operation of your Franchise.

You must operate your Zen Massage Center in accordance with our proprietary standards and procedures, as set forth in our Manual. We will lend you a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use the Proprietary Marks that we designate in writing for use with the System. We may periodically change and improve parts of the System.

Laws and Regulations.

You must comply with all local, state, and federal laws that apply to the operation of a Zen Massage Center, including, but not limited to, health, sanitation, no-smoking, Equal Employment Opportunity Act rules and regulations, OSHA rules and regulations, discrimination, employment, and sexual harassment laws, and any applicable HIPAA regulations. The Americans with Disability Act of 1990, and similar state and local laws, require readily accessible accommodation for disabled persons and therefore may affect your office construction, doors, seating, bathrooms, etc. Many states require massage and skin care centers, therapists, and estheticians to be licensed and you must ensure that your Center, and the therapists and estheticians who work in your Center, comply with these requirements. You must ensure that only licensed therapists and estheticians perform any services for which a license or specialized training is required. It is your responsibility to thoroughly investigate the applicable business and licensing rules and regulations in your state before opening a Center.

Both the Federal Trade Commission and many states regulate the sale of franchises and the relationship between franchisors and franchisees.

The municipality and/or county in which your Center is located may also have other business licensing requirements. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Zen Massage Center.

Market and Competition.

Zen Massage Centers provide services to the general public. Our Centers compete with other businesses offering professional massage and skin care services such as day spas, resorts, health clubs, chiropractic offices, and individual massage therapists, many of which require customers to enter into contracts and charge membership fees. The market for businesses providing massage therapy and facial services is well-developed and competitive in most markets as demand for these services remains high.

State Disclosure Requirements.

Certain states have statutes that require additional disclosures. These disclosures are provided in **Exhibit B** to this Disclosure Document.

2. BUSINESS EXPERIENCE

All positions are located in Cornelius, NC unless otherwise indicated.

Chairman and Chief Executive Officer: Keith Larson

Mr. Larson has been ZMFI's Chairman and Chief Executive Officer since October, 2021, and Chief Marketing Officer since December, 2014. He has been a shareholder since August, 2018. In addition to his current positions he is the owner of STRI, LLC, a Zen Massage franchisee that has owned two Zen Massage Centers since January, 2019. Mr. Larson is located in Cornelius, NC.

Director and Corporate Vice-President: Randall T. Scribner:

Mr. Scribner has been ZMFI's Corporate Vice-President since October, 2021. He has been a ZMFI shareholder and board member since January, 2010, and was CEO from January, 2010 to October, 2021. Mr. Scribner is located in Harrisburg, NC.

Corporate Secretary/Business Systems Administrator: Nancy Larson:

Mrs. Larson has been ZMFI's corporate secretary since October, 2021. She has been the General Manager of the Huntersville and Cornelius, NC Zen Massage Centers franchises owned and operated by our affiliate STRI LLC since January, 2019. She oversees operations at both Centers. In addition, Nancy Larson serves as the Mindbody Coordinator for ZMFI since October, 2021.

3. LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

4. BANKRUPTCY

No bankruptcies are required to be disclosed in this Disclosure Document. There are no foreign bankruptcy cases, actions or other proceedings under the laws of foreign nations to be disclosed in this Disclosure Document. We nor any parent, predecessor, affiliate, general partner or officer of ours nor any individual who will have management responsibility relating to the sale or operation of the Franchise has filed as a debtor or had filed against it a petition under a foreign bankruptcy or has obtained a discharge of its debts under a foreign bankruptcy code.

5. INITIAL FEES

Initial Franchise Fee.

Upon execution of the Franchise Agreement, you must pay us, in full, an initial franchise fee of $39,000 ("**Initial Franchise Fee**"). The Initial Franchise Fee is uniformly charged to all Franchisees, is deemed fully earned upon payment, is non-recurring and non-refundable.

The Initial Franchise Fee represents the consideration payable in exchange for the rights to a Protected Territory of a population size as further described in Item 12. We will determine the population of the Protected Territory by the most current information available from the United States Census Bureau or its successor at the time of execution of the

Franchise Agreement. In addition, the Initial Franchise Fee will be used by us to cover our costs in assisting you in site selection, construction issues and other matters pertaining to the opening of your Center, including, but not limited to, administrative expenses, travel, long distance telephone calls, materials, and other initial services provided by us for your benefit. In addition, the Initial Franchise Fee will be used to cover our general operating expenses, including overhead and salaries of our employees, marketing, legal and accounting fees with respect to our business and the franchise opportunity, promotion of the Proprietary Marks and other proprietary materials that will enhance the Centers.

Area Development Fee.

If you sign the Development Agreement, you must pay the Initial Franchise Fee for one Center plus $29,000 multiplied by the number of Centers to be opened pursuant to the Development Agreement (collectively, the "**Area Development Fee**"). The Area Development Fee is not refundable. The Area Development Fee will either be paid in full upon execution of the Development Agreement or in installments based upon a schedule set forth in the Development Agreement. All or a portion of the Area Development Fee may be credited towards the Initial Franchise Fee for each Center opened under the Development Agreement. The factors that we take into account in determining the amount of the Area Development Fee, when the Area Development Fee will be paid and the amount of the Area Development Fee to be credited towards the Initial Franchise Fee include, but are not limited to, general and specific market factors, whether the Area Developer has been successful developing and operating other Centers, and the total number of Franchises agreed to be developed by the Area Developer under the Development Agreement. See Item 1 and Schedule 1 to the Development Agreement for additional information. In 2024, we charged one Area Developer who had already opened one franchised location, an Area Development Fee of $49,300 for the opportunity to develop and operate two additional locations under an Area Development Agreement.

Military Veteran's Discount.

We offer a discount of 15% on our Initial Franchise Fee to active-duty military and honorably discharged veterans of the United States Armed Forces. If you enter into a Development Agreement, the Development Agreement will specify that this discount shall be applied to the Initial Franchise Fee owed each time you enter into a franchise agreement pursuant to the Development Agreement.

6. OTHER FEES

(1) **Type of Fee***	**(2)** **Amount**	**(3)** **Due Date**	**(4)** **Remarks**
Royalty Fee	5% of Gross Weekly Receipts	5th day of the week following each Accounting Period.	See Note 1

(1) **Type of Fee***	(2) **Amount**	(3) **Due Date**	(4) **Remarks**
Brand Development Fund	2% of Gross Weekly Receipts	Paid with royalties	Upon opening your Center, you must contribute 2% of your Gross Weekly Receipts to the "Brand Development Fund." This contribution will be used for system-wide promoting and building of the Zen Massage brand. We reserve the right to increase this contribution amount. Note 2
Local advertising/marketing investment	At least $650 per month per Center in advertising placement.	Monthly	See Note 3.
Local and Regional Advertising Cooperatives	Established by franchisees in a DMA	Established by cooperative franchisee members	Cooperative rules to be established by franchisee members; approved by ZMFI. See Note 4.
Promotional Package Fee	Varies depending on promotion.	As incurred.	We may put together promotional packages that will include specific holiday, seasonal, or other promotional materials. We seek to keep each package cost at less than $250 but the actual cost will depend on the materials included.
Transfer Fee	$10,000	Before transfer	Payable by the transferee

(1) Type of Fee*	(2) Amount	(3) Due Date	(4) Remarks
Transfer Training Fee	Our then-current fee (currently $1,000 plus travel, lodging, meals for our representatives)	Due with Transfer Fee payment.	Payable by transferee.
Renewal Fee	$10,000	At least 30 days prior to the expiration of the initial term of the Franchise Agreement	Payable if you choose to renew the Franchise Agreement for any subsequent 10-year term(s).
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs, travel/lodging expenses.	Upon demand	See Note 5.
Costs and Attorneys' Fees	Actual fees and costs	After adjudication of legal matter	If you are in default, you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce our rights and terminate any agreement.
Administrative & Bank Fees	Actual Bank Fees plus $25.00	As incurred	Bank Return Insufficient Funds Fees & Verifications of Balance Fees.
Late Fees	1.5% per month on the underpayment amount.	If funds are not available 10 days after royalties are due	Payable on any Royalty Fees not paid when due. See Note 5.

(1) Type of Fee*	(2) Amount	(3) Due Date	(4) Remarks
Taxes and Fees	Federal, State, or local taxes	As incurred	
On-site Training/Assistance Fee	$500 per day plus travel/lodging/other expenses	As required	See Note 6
Training of Replacement Managers	$500 per day plus travel/lodging/other expenses	As required	See Note 6
Management Fee	$250 per day plus travel/lodging/other expenses.	As incurred	If you default under the Franchise Agreement or the Franchisee or Designated Manager dies or becomes disabled, we can designate a temporary manager to manage your Center until you cure the default, effect approved transfer of the franchise, or find a replacement Designated Manager as approved by us.
Business Software License Fee	Currently $200 per month but subject to change.	Monthly	See Item 11
Business Software Support Fee	Currently $200 per month but subject to change. Required for first twelve months operation of first Center.	Monthly	See Item 11

(1) **Type of Fee***	(2) **Amount**	(3) **Due Date**	(4) **Remarks**
Indemnity	Amount of our fines, losses, damages, costs and expenses	Upon demand	You must indemnify us, and reimburse us for our costs (including our attorneys’ fees) if we are sued or held liable in any case having anything to do with your business operations.
Customer Issue Resolution	Actual costs we incur for responding to/resolving a customer complaint.	On Invoice.	Payable if a customer of your ZMFI Center contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our addressing the issue.
Gift Card Refund Fund	Varies depending on gift card liability balance.	Upon transfer or closure of Center.	Amount we may require be paid to transferee, ZMFI, or both, to cover portion of gift card liability balance.
Relocation Fee	$5,000 plus reimbursement for any costs ZMFI, or its affiliates, incur in evaluating the new location, and preparation of the Center at the new location.	On Invoice.	The $5,000 payment will be used by ZMFI, its affiliate, or a third-party it designates to promote the Center at its new location.

(1) Type of Fee*	(2) Amount	(3) Due Date	(4) Remarks
Liquidated Damages	Will vary by circumstances.	Within 15 days after termination of the Franchise Agreement.	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause.
De-Identification fee	All amounts incurred by ZMFI plus travel/lodging expenses.	As incurred	Payable if ZMFI must de-identify the Zen Massage Center upon its termination, relocation, or expiration.

* All fees are non-refundable. Except for Royalty Fees and Brand Development Fund fees, all fees and charges are uniform and are imposed and collected by and payable to us.

NOTES:

Note 1. Royalty Fees. For each Accounting Period (as defined below) during the term of the Franchise Agreement, you shall pay to us royalty fees ("**Royalty Fees**") in the amount of five percent of Gross Weekly Receipts during the Accounting Period (as defined below). In addition, you shall provide to us for each Accounting Period, in writing (or electronically), a report of your Gross Weekly Receipts (a "**Receipts Report**") for the immediately preceding Accounting Period. ZMFI may waive the requirement that you submit a Receipts Report if the information included in the Receipts Report can be obtained from the Center's software system.

The term "**Gross Weekly Receipts**" means all revenue from all massage therapy fees, all merchandise and products, and all other services or products offered at or from the Center, including gift cards, and all other income of every kind and nature related to, derived from, or originating from your Zen Massage Center, including, but not limited to, cash sales, credit sales and bartered sales, but excluding sales taxes or other taxes collected by you for transmittal to the appropriate taxing authority, tips collected by you or your independent contractors and income received from the redemption of gift cards. The term "**Accounting Period**" shall mean a one-week period beginning on a Monday and ending on the first Sunday following that Monday. The first Accounting Period shall also include any days from and including the date you first open the Franchise for business to the public (the "**Opening Date**") through the one-week period beginning on the first Monday following the Opening Date.

Note 2. Brand Development Fund. For each Accounting Period you shall make a contribution to our system-wide marketing and advertising Brand Development Fund ("**Brand Fund**"). The contribution amount is currently 2% of Gross Weekly Receipts for the immediately preceding Accounting Period. However, we will have the right to increase the Brand Fund contribution to an amount no greater than 5% of Gross Weekly Receipts. You will pay the Brand Fund in the same manner as the Royalty Fee (See Note 1 above).

The Brand Fund shall not be used for our general operating expenses, but shall be used and expended for media costs, commissions, fees, production, consultants, personnel and other direct costs of any advertising/marketing programs or materials which are developed, created or purchased for the promotion of Zen Massage Centers, and published or disseminated via any means including internet/social media, broadcast, mail, newspaper or other publication, or displayed in Zen Massage Centers or elsewhere.

Note 3. Local Advertising. You must spend at least $650.00 per month in local advertising/marketing media placement, internet Pay-Per-Click advertising, internet "re-marketing," boosted social media posts/advertising, billboards, print publications, electronic media placement, etc. (the "Minimum Local Advertisement Requirement"). This excludes yellow pages advertising, and directional/visibility signage on your Center building or in close proximity to your Center. Within 15 days following the end of each calendar quarter, you must provide to us documentation showing your local advertising expenditures during the preceding calendar quarter. If you do not spend the minimum amount required, you must remit to us the balance of the funds you should have spent when you file your report. We will then use those funds for local advertising in your territory.

We may require you to pay all or any portion of the $650.00/mo. you pay under the Minimum Local Advertisement Requirement to the Brand Fund, our affiliates, or our designated required vendors or suppliers to pay for certain internet marketing, social media management, and website landing page optimization services, all of which may be provided by our designated required vendors or suppliers for the benefit of each franchisee's Center. We may increase or decrease the amount we collect from franchisees or the purpose for which those amounts are collected, provided that the total amount that we collect from you on an annual basis will not exceed the amount you are required to spend under the Minimum Local Advertisement Requirement for that year.

You agree to use all required or ZMFI approved vendors or suppliers for any advertising/marketing services services you undertake for your Center/s.

Note 4. Local and Regional Advertising Cooperatives. We have the right to establish a local or regional advertising cooperative. You may be required to contribute up to 2% of your Gross Weekly Receipts to the cooperative. Each Center we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. We may collect the contributions to the coop directly or have the contributions made to the cooperative, as we deem appropriate.

Note 5. Audit Costs. Audit costs are payable only if we audit your Center and as a result of the audit, we determine that you under-reported your Gross Weekly Receipts or under-paid Royalty Fees. You will also have to pay interest on any Royalty Fees not paid when due (see "Late Fees" as described in the chart above).

Note 6. Training Expenses. ZMFI does not charge a fee for our initial training program. However, if you desire to have additional training, or if we require you to participate in additional training, or if you replace your Manager and need to have the replacement manager trained, you will have to pay our then current fees for that training.

See Item 11 for specific details regarding duration and location of our training program.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
(1) Type of expenditure	**(2) Amount**	**(3) Method of Payment**	**(4) When due**	**(5) To whom payment is to be made**
Initial Franchise Fee (See Note 1)	$39,000	Lump Sum	Upon signing the Franchise Agreement	Franchisor
Equipment, Furnishings, Decor For Massage Rooms and Treatment Rooms (See Note 2)	$14,305 to $20,960	Lump Sum or equipment may be leased	30 days prior to operating	Third parties
Massage/Skin care Treatment Product/ Supplies (See Note 3)	$4,665 to $6,410	Lump sum	30 days prior to operating	Third parties
Signage (See Note 4)	$7,500 to $15,000	Lump Sum	30 days prior to operating	Third parties
Insurance Premium (see Note 5)	$2,000 to $3,500	Lump Sum or monthly	One week before opening	Insurance Agent
Office Equipment/Furniture/Supplies	$2,610 - $3,910	Lump Sum	15 to 30 days before opening	Suppliers

YOUR ESTIMATED INITIAL INVESTMENT				
(1) Type of expenditure	**(2) Amount**	**(3) Method of Payment**	**(4) When due**	**(5) To whom payment is to be made**
(see Note 6)				
Professional Fees (see Note 7)	$1,000 to $2,000	As Incurred	As required	Professionals
Training Expenses (see Note 8)	$1,500 to $3,000	As incurred	As required	Third parties
Initial Marketing Materials (see Note 9)	$750 to $2,000	Lump sum	15 days prior to operating	Supplier
Business License (see Note 10)	$50 to $200	Lump sum	As required	Governmental Licensor
Prepaid Rent and Security Deposit (See Note 11)	$11,000 to $16,600	Lump sum	Upon signing lease	Landlord
Working Capital (See Note 12)	$25,000 to $50,000	As needed	As required	Third parties
Leasehold Improvements (See Note 13)	$175,000 to $185,142	Lump sum	As incurred	Third parties
Furniture/Fixtures/Decor (See Note 14)	$5,260 to $8,100	Lump sum	As incurred	Third parties
Grand Opening Program (See Note 15)	$5,000	Lump sum	As incurred	Advertising suppliers
Therapist Recruiting (See Note 16)	$500 to $1,000	Lump sum	As incurred	Third Parties

YOUR ESTIMATED INITIAL INVESTMENT				
(1) Type of expenditure	**(2) Amount**	**(3) Method of Payment**	**(4) When due**	**(5) To whom payment is to be made**
Software License	$200	Lump sum	15 to 30 days before opening	Third Party
Business Software Support	$200	Lump Sum	1-15 days before opening.	Third party
Staff Recruiting (See Note 17)	$0 to $300	As incurred	As incurred	Third Parties
Total (See Note 18)	**$295,540 to $362,522**			

YOUR ESTIMATED INITIAL INVESTMENT – DEVELOPMENT AGREEMENT

(1) Type of expenditure	**(2) Amount**	**(3) Method of Payment**	**(4) When due**	**(5) To whom payment is to be made**
First Franchise (see table above)	$295,540 to $362,522	Varies	Varies	Varies
Area Development Fee (see Note 19)	$29,000 to $58,000	Lump Sum	Upon signing the Development Agreement	Franchisor
Total	**$324,540 to $420,522**			

All fees and expenditures represented in the above table are non-refundable.

The above are estimates of your total initial investment. If you enter into a Development Agreement, you should expect to incur these costs for each Franchise that you develop.

Notes:

1. The Initial Franchise Fee is $39,000. This fee is non-recurring and non-refundable.

2. You must purchase certain approved equipment furniture, fixtures and décor items from approved vendors for your massage and skin care treatment rooms. The lower amounts in the chart represent estimates of these costs for a smaller Center and the higher amounts in the chart represent estimates of these costs for a larger Center.

3. You must purchase certain massage and skin care treatment supplies such as linens, towels, massage oils and skin care products, etc. This estimate in the chart is for the cost of purchasing a sufficient amount of these products for use during initial training and the first 60 days of your operations. The costs of these products will vary based on the quantities purchased, and quality of items ordered.

4. You must purchase signage for your Zen Massage Center. The signage may be purchased from third parties. Signage may include, but is not limited to, an exterior sign or signs, posters, window and door decals, all bearing the Proprietary Marks. All such signage must be consistent with the then-current design, colors, and imagery required by us, and it must be approved by us prior to construction/purchase.

5. You must carry comprehensive general liability and property insurance. The figure in the chart represents the estimated annual premium for a typical Center. Your insurance carrier may permit you to pay the premium on a monthly basis. The estimate in the chart does not include the cost of Worker's Compensation Insurance. Worker's Compensation Insurance is calculated on the amount of your annual payroll and is affected by the state in which your Center is located, and by individual employee categories and therefore cannot be reasonably estimated.

6. Unless you have certain equipment such as a computer(s), printer, telephone, copier/scanner and fax machine, office furniture and other required supplies, you must purchase such equipment for your Zen Massage Center from third-party suppliers. The cost of such equipment varies based on the quantity and quality of items purchased.

7. This estimate includes the costs of retaining an attorney and paying an accountant's fees.

8. ZMFI does not charge a fee for our initial training program. However, you will need to cover the costs of transportation, lodging, and food for yourself and any employees, and for any wages for your employees.

   We will provide on-site training and Center opening assistance for up to three days total prior to or at the time of your Center's opening.

9. You must purchase certain marketing materials to be displayed inside your Center, as well as various collateral marketing materials. You must have all marketing material approved by us prior to use.

10. Some states (or other governmental bodies) require you to obtain a license before beginning operations. Licensures costs will vary based on your location and the applicable jurisdictions.

11. The estimates in the chart assume you will rent the premises for your Franchise. The rent for the leased premises will vary substantially per location, depending on the location and local market conditions. The amounts in the chart reflect a range of actual current Zen Massage Center rent for the first month, and a security deposit of same amount. The lessor of the space that you let will likely require a lease agreement which stipulates a security deposit.

12. You will need capital to support ongoing expenses such as lease payments, front desk staffing, telephone costs, etc., to the extent that these costs are not initially covered by revenue.

13. This is the range of costs of the three most recently opened current Zen Massage Centers. Those Zen Massage Centers are located in the Kansas City, Missouri metropolitan area, the Charlotte, North Carolina metropolitan area and the Las Vegas, Nevada metropolitan area. Your costs may be higher as the commercial real estate/construction market is highly fluid. Leasehold improvement costs vary widely depending on the geographical location of your Center, as different parts of the country have greater costs than others, and the commercial real estate market is highly fluid. The costs of these expenses are also dependent upon the size of your Center.

14. You must purchase furniture, furnishings, equipment and décor, for your lobby, breakroom and Zen Room, and also washer(s) and dryer(s). The amount of these costs will vary based on the amount of furniture/equipment purchased which will vary based on the size of your Center.

15. We require you to spend at least this amount for the promotion and advertising of your Center prior to, and immediately following your Center's grand opening. You may decide you need to spend more to promote the launch of your Center, depending on local market conditions and competition.

16. You will need to recruit therapists. Therapists may be recruited directly from massage therapy schools, by advertising in local media, through employment recruitment websites, from referrals and other means. Depending on demand, and the number of rooms available at the Center, you may need between 8 to 14 therapists to begin operations of your Center, though you will need more over time to grow your Center's sales to its potential. This estimate includes the costs of becoming a members of the National Association of Spa Franchises' Employment Verification System, and running background checks on candidates through that system.

17. You will need to recruit staff. Staff may be recruited through local media and employment recruitment websites. The number of staff members you need to recruit may include one full-time manager and two or more part-time receptionists, depending on the volume of your Center's business and the scope of your direct involvement in the Center's operation.

18. We have relied upon the experience of our current franchisees and of our affiliates that operate Centers similar to the type offered through this Franchise Disclosure Document to develop the estimates in this Item 7. We cannot guarantee that you will not have additional expenses starting your Center. You must pay for all costs associated with constructing and preparing your Center for operations, even if those costs deviate from, or are higher than, the estimates that we have provided here.
19. This estimate assumes you sign a Development Agreement for two to three franchises and shows the development fee you would be required to pay upon signing the Development Agreement in lieu of the $39,000 Initial Franchise Fee that you would pay for a single franchise agreement.

8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Specifications and Standards

You must establish and operate your Zen Massage Center according to our System and specifications in all ways.

You must purchase any goods, services, supplies, fixtures, furnishings, equipment, inventory or computer hardware and software related to your Center consistent with our Brand Standards as set out in one or more manuals, policies, procedures, guides, and other written materials, which we may periodically provide or modify (these are known collectively as, Brand Standards Manual ("the Manual.")). This includes purchasing or leasing any and all such items from approved suppliers. In addition, you must purchase certain non-refundable products directly from various vendors/distributors prior to the opening of the Zen Massage Center. Our product specifications are established to provide standards for performance, durability, design and appearance. The Manual will identify our approved suppliers' standards and specifications. You must obtain our approval before purchasing, utilizing, or offering for sale at your Center any items from any supplier or provider not specifically approved in the Manual. We will notify you whenever we establish or revise any of our standards or specifications.

You must offer for sale at the Center all types of merchandise, products and/or services stated in the Manual, and that we specify periodically. You agree not to offer any other category or form of merchandise, products and/or service, or use your Center premises for any other purpose other than the operation of a Zen Massage Center. You must maintain an adequate supply of the items and merchandise sufficient to meet customer demands as specified by us.

If you propose to purchase or lease any item of equipment or any fixture, sign or decorating materials not approved by us, you must obtain our prior approval. We may require submission of photographs, drawings and other information and samples to determine whether such item meets our specifications. We may arbitrarily deny approval. We will notify you of our decision within a reasonable time. Any proposed item not approved within 60 days after your written request is deemed disapproved. We may revoke any approval previously given at any time upon written notice.

We estimate that the following purchases of products and services will represent the following percentages of your total purchases of products and services to establish and operate your Franchise:

Category	**% of Total to Establish**	**% of Total to Operate**
Purchases from us and our affiliates	1% or less	0%
Purchases or leases under our specifications	100%	100%
Purchases or leases from approved outside suppliers	99% or more	100%

Approved Suppliers

You shall purchase all printing materials, products, supplies, equipment, materials, and other products used or offered for sale at your Zen Massage Center solely from suppliers (including manufacturers, distributors, resellers, and other vendors) that we have previously approved in writing. A current list of approved suppliers is in the Manual. We are not currently a supplier of goods or services to franchisees, however we have the right to designate ourselves, or an affiliate of ours, as a designated supplier, or an exclusive supplier.

In determining whether we will approve any particular supplier, we shall consider various factors, including a supplier who can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for these items, who possesses adequate quality controls and capacity to supply our needs promptly and reliably, and who would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. We have the right to designate only one manufacturer, distributor, reseller, and/or other vendor for any particular item. We are not an approved supplier of products or services. We have made no special purchase arrangements with any approved supplier and provide no material benefits to you to purchase products or services from our designated or approved sources.

If you want to use any item or service for or at the Center that we have not yet evaluated or approved, you first must send us sufficient information, specifications, and samples so we can determine whether the item or service complies with our System standards and/or the supplier meets approved supplier criteria. We will usually decide within 30 days after receiving all information we require whether the item or service is approved.

We do not derive any revenue, own an interest in, or receive other material consideration as the result of any purchases of products or services by our Franchisees.

Approval of the Center Location; Construction

You must select the location and site for your Zen Massage Center, and <u>receive our written approval of the site</u>, prior to executing any agreement to lease the site for the operation of your Zen Massage Center.

Our approval of the site depends on various criteria relating to the market area of the proposed location which are identified in the Manual. Some of the factors include, but are not limited to: the general location and neighborhood, population and demographics, distance to other Franchises, competition in the market area, traffic counts and patterns, access to the location, sign ordinances, proximity to major roads, residential areas and business districts, available parking facilities and the costs of leasehold improvements. Our approval of your Center location is not a guarantee that your business will be successful from that or any other location.

After receiving our written approval for the Franchise site, you may purchase or lease the site. The terms of such purchase or lease must receive our written approval. Our approval of any lease agreement may be conditioned upon the inclusion of the following terms and conditions:

1. A provision reserving to ZMFI the right, at ZMFI's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise, and a provision which requires the landlord, at ZMFI's option, to execute a collateral assignment of lease which provides that ZMFI will be allowed to take an assignment of your lease upon any termination of your Franchise Agreement;

2. A provision which expressly permits the lessor to provide ZMFI with all sales and other information it may have related to the operation of the Center, upon our request;

3. A provision which requires the lessor concurrently to provide ZMFI with a copy of any written notice of deficiency under the lease sent to you and which grants to Zen Massage, in its sole discretion, the right (but not the obligation) to cure any deficiency under the lease, should you fail to do so within 15 days after the expiration of the period in which you may cure the default;

4. A provision which grants Zen Massage, or its designee, the option, upon default, expiration or termination of the Franchise Agreement, and upon written notice to the lessor, to assume all of your rights under the lease terms, including the right to assign or sublease to another approved Zen Massage franchisee;

5. A provision which evidences your right to display the Proprietary Marks in accordance with the specifications required by the Manual, subject to the provisions of applicable law; and

6. A provision that the premises will be used only for the operation of the Zen Massage Center.

You must furnish to us for our review a complete final draft of your lease at least 10 days prior to its execution, and a fully executed copy of your lease agreement within 10 days after its execution.

You also must not proceed with any construction or remodeling for your Center until you have received our prior written approval of any plans drafted by your architect or builder.

Maintenance; Remodeling Requirements

You agree to maintain the condition and appearance of the Franchise location consistent with our current Brand Standards. You may be required to periodically improve the appearance of your Franchise as we direct, including replacement of worn out or obsolete fixtures, furniture, signs, and to repair the exterior and interior of the Franchise, and decorating. If you fail or refuse to initiate a program to complete any required maintenance, we may complete such maintenance on your behalf and at your cost.

You may not make any material alterations to your Center, or material replacements of your equipment, fixtures, furniture or signs, without our prior approval.

Signage

You must prominently display and maintain signs of such design, color, number, location illumination and size as we may reasonably require. All of your signs must bear the Proprietary Marks. You must obtain all permits and comply with all codes, regulations and ordinances applicable to the display of your signs. You are responsible for the maintenance and repair of the signs to ensure both their good condition, and compliance with our Brand Standards.

Insurance Specifications

Before you open your Center, you must obtain certain minimum insurance coverage, naming Zen Massage as an additional insured, as set forth in the Franchise Agreement or Manual. We may require that you increase insurance limits or have new types of coverage added to your policy. You must maintain this insurance coverage during the entire term of the Franchise Agreement from a responsible carrier that is acceptable to us.

Our current insurance requirements are summarized below. Our current insurance requirements are stated in full in the Manual.

<u>Commercial General Liability</u>

Coverage against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Zen Massage Center. $1,000,000 per occurrence $2,000,000 aggregate.

<u>Business Interruption</u>

Coverage to help replace lost income and pay for extra expenses if your Zen Massage Center is affected by a covered peril. No less than six (6) months coverage period.

<u>Professional Liability</u>

Coverage due to errors or omissions in the performance of services under the Franchise Agreement. $1,000,000 per occurrence $2,000,000 aggregate.

Sexual Abuse and Molestation

Coverage against actual or alleged abuse, molestation, mistreatment, or maltreatment of a sexual nature, including but not limited to, any sexual involvement, sexual conduct or sexual contact, regardless of consent. $250,000 per occurrence $500,000 aggregate.

Employment Practices Liability

Coverage that includes but is not limited to wrongful termination, discrimination (age, sex, race, disability, etc.), sexual harassment, wrongful discipline, failure to employ or promote and other employment related allegations. $100,000 aggregate.

Auto Liability and Property

Coverage against all loss, liability, claim or expense of any kind whatsoever resulting from the use, operation, or maintenance of any automobiles or motor vehicles, owned, leased, or used by you, or your officers, directors, employees, partners, or agents, in the conduct of your Zen Massage Center. $1,000,000 per occurrence.

Worker's Compensation and Employer's Liability

Coverage for bodily and personal injury occurring to your employees.

$100,000 per occurrence for bodily injury,

$100,000 per employee for bodily injury by disease, and

$500,000 policy limit for bodily injury by disease

(franchisees are encouraged to purchase increased liability coverage)

Tail Insurance

If any of your liability insurance policies are on a claims-made form, then you must purchase tail insurance extending such policies for a period of at least three years following a policy's expiration and/or the transfer/sale, expiration, termination or other closure of your Zen Massage Center as follows:

The insurance company must be authorized to do business in the state where your Center is located and must be approved by ZMFI. It must also be rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as we specify) or a similar reporting company if such rating is unavailable in your area. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. If you fail to obtain or maintain the insurance we require, we may, but not be required to, obtain the insurance for you and your Center on your behalf (See Item 6). The cost of your premiums will depend on the insurance carrier's charges, terms of payment, and your insurance and payment histories. If we obtain insurance on your behalf, you must reimburse us for the cost of insurance obtained plus 10% of the premium for an administrative cost of obtaining the insurance.

Advertising Specifications

You may place advertising in any media so long as your advertising has been approved by us in writing, in advance. We require that you obtain our approval at least 10 days prior to your use of any advertising material, unless we have approved the advertising materials previously.

We will typically notify you of approval of any proposed advertising within 10 business days after our receipt of your written request for approval and samples of the materials. We may, in our sole discretion, deny or withdraw approval of your advertising materials if we determine that the materials do not fit within our Brand Standards, or that the advertising materials are or may be damaging to the System or its reputation. Any plan or material submitted that is not approved within 10 days after submission is deemed disapproved. All advertising must be conducted in a dignified manner befitting the brand, and must be accurate.

The foregoing provisions also apply to communications regarding the Franchise via social media, through platforms such as Twitter, Facebook, LinkedIn and others. You must also supervise your employees to assure they do not post any material on any social media or internet sites regarding Zen Massage without our prior written approval.

You may not establish any web site on the Internet, or social media account, page, or profile, for the purpose of promoting your Zen Massage Center other than the official website and landing page provided you by ZMFI without our approval. You may not establish any web site using any domain name containing the words "Zen" or "Massage" or combination thereof or any similar name. We retain the exclusive right to advertise on the Internet or create a web site using the name Zen Massage or any similar name.

Records and Accounting

You agree to establish and maintain at your own expense a bookkeeping, accounting and financial record-keeping system conforming to the requirements, formats, and templates we prescribe from time to time, including use of our standard Chart of Accounts in the manner we specify.

You must maintain complete and accurate records of all sales, marketing activities, close-out sheets, payroll and accounts payable in accordance with our standard accounting system/business management software.

We may require you to use a Computer System and financial accounting software or vendor approved by us to maintain certain financial performance data such as but not limited to: Profit and Loss Statements, Balance Sheets, and Statements of Cash Flows, in such formats as we periodically prescribe; further to transmit said data and information to us on a schedule we periodically prescribe, and/or allow us to access all such data by direct, secure means through the connection of your Computer System/financial accounting software with ZMFI, or any third-party business system approved by us.

You also must maintain the Computer System in order to allow us unlimited independent access to, and the ability to download, all information in your Computer System at any time.

Upon 30 days advance written notice, we may prepare the financial statements for your Franchise that are required under the Franchise Agreement based upon financial and accounting information obtained by us directly from your system. We may charge a reasonable fee in connection with our preparation of such financial statements.

Computer Equipment

You must purchase any computer hardware and software programs that we require for the computerization of your customer and payment records, inventory control and other operational aspects of your Center. You are obligated to update your Computer System if we specify that an update is necessary. You are also required to purchase any software updates that we specify. Currently, you are required to purchase the following computer hardware to operate your Center: two desktop computers capable of running the programs and software we require; two tablets; one Chromebook; one printer/scanner; and wireless internet. We estimate that hardware meeting our specifications should cost between $1,000 and $2,600. We provide you with the Mindbody Software for a fee that you pay to the software vendor. We are not liable to you for any interruption of business at your Center caused by any malfunctions or problems with the computer equipment used at your Center.

9.
FRANCHISEE'S OBLIGATIONS

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

Obligation	**Section in Agreement** ("FA" – Franchise Agreement) ("ADA" - Area Development Agreement)	**Disclosure Document Item**
(a) Site selection and acquisition/lease	§3 of FA	Item 5, 7, 8, 11 and Manual
(b) Pre-opening purchases/leases	§7 of FA	Items 5,7 and 8
(c) Site development and other pre-opening requirements	§§ 3 and 7 of FA	Items 7, 8, 11 and 15

Obligation	**Section in Agreement** (“FA” – Franchise Agreement) (“ADA” - Area Development Agreement)	**Disclosure Document Item**
(d) Initial and on-going training	§§ 4 and 7 of FA	Items 5, 6, 7, 11 15
(e) Opening	§ 4 of FA	Items 6, 7, 8, 11 and 15
(f) Fees	§§ 1,6 & 8 of FA; §III of ADA	Items 5, 6, 7 & 11
(g) Compliance with standards and policies/operating manual	§7 of FA; §§I(A) & V of ADA	Items 8, 11, 14, 15 and 16
(h) Trademarks and proprietary information	§ 10 of FA; §§ V and VI(A) of ADA	Items 13, 14, 15 and 17
(i) Restrictions on products/services offered	§ 7 of FA	Items 8, 11 and 16
(j) Warranty and customer service requirements	Not included.	See Manual
(k) Territorial development and sales quotas	§§ 3 and 6 of FA; §I of ADA	Items 1, 5, 11 and 12
(l) Ongoing product/service purchases	§ 7 of FA	Items 6, 8 and 16
(m) Maintenance, appearance and remodeling requirements	§ 7 of FA	Items 7, 8 and 11
(n) Insurance	§ 9 of FA	Items 7 and 8
(o) Advertising	§ 8 of FA	Items 7 and 11
(p) Indemnification	§13 of FA; §3 of ADA	Item 6
(q) Franchisee’s participation/management/ staffing	§7 of FA	Item 15
(r) Records and reports	§§ 6 & 7 of FA	Items 6, 8 and 11
(s) Inspections/audits	§§ 5 & 7 of FA	Items 6 and 11

Obligation	Section in Agreement (“FA” – Franchise Agreement) (“ADA” - Area Development Agreement)	Disclosure Document Item
(t) Transfer	§ 11 of FA; §VII of ADA	Items 6 and 17
(u) Renewal	§ 2 of FA; §II of ADA	Items 6 and 17
(v) Post-termination obligations	§§ 14 & 15 of FA; §VII of ADA	Items 6 and 17
(w) Non-competition covenants	§ 16 of FA; §8 of ADA	Items 6 and 17
(x) Dispute resolution	§§ 17 and 22 of FA; §IX(A) of ADA	Items 6 and 17

10.
FINANCING

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

11.
FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS & TRAINING

Except as listed below, Zen Massage Franchising, Inc. is not required to provide you with any assistance.

Pre-Opening Obligations Under the Franchise Agreement.

Prior to the opening of the Franchise, we will be obligated to make available to you, or assist you in obtaining, the following:

1. SITE SELECTION

You must select the Approved Location within your Protected Territory within 90 days of signing the Franchise Agreement. Acceptance of the Approved Location is subject to our sole discretion. We will consider the following factors in determining approval: neighborhood, size and image of the space, lease terms and local ordinances. Under the terms of the Franchise Agreement, you will have nine months to open your Zen Massage Center to the public, subject to our approval and in accordance with our site selection guidelines. We shall approve or disapprove of your site selection within 10 business days after our receipt of requisite materials as stated in the Franchise Agreement. In the event we cannot agree on a site within 180 days, we will terminate the Franchise Agreement.

2. ZEN MASSAGE CENTER DEVELOPMENT

We shall make available, at no charge to you, prototype architectural plans and specifications for the construction of your Zen Massage Center, for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. The specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Zen Massage Center, compliance with all of which shall be your responsibility and at your expense. You may adapt, at your expense, the standard specifications to the Zen Massage Center location, subject to our approval, which will not be unreasonably withheld, provided that such plans and specifications conform to our general criteria. We have the right to modify the prototype architectural plans and specifications as we deem appropriate from time to time (however we will not modify the prototype architectural plans and specifications for the Zen Massage Center developed pursuant to the Franchise Agreement once those prototype architectural plans and specifications have been given to you, without your agreement). We will inspect the Zen Massage Center prior to opening, and we may require or suggest changes in the event that the construction and finished Center does not meet our specifications.

Typically, the time period from execution of the Franchise Agreement to opening of your Center is four to six months, but could be longer. Factors which may affect the time period include, but are not limited to, your ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs. (See Franchise Agreement Sections 3 and 7).

3. BRAND STANDARDS MANUAL

We will loan you one copy of the Manual for the purpose of providing guidance in the methods and techniques of operating a Zen Massage Center. You must return the Manual upon termination of the Franchise Agreement, as more fully described in Section 15 of the Franchise Agreement. The total number of pages in the Manual is 88. The Table of Contents of the Manual can be found attached hereto as **Exhibit F**. (See Franchise Agreement Section 5(a)).

4. TRAINING

At a time we designate, about four to six weeks before the opening of your Center, you must attend, and we will provide, five days of training for you and your initial staff (not to exceed four individuals). We will pay for the instruction and all training materials. You must pay for all travel and living expenses for yourself and your staff (if any) during training. The training program encompasses recruitment, staffing, Center operations, sales, marketing, and business management, as well as other systems and procedures for operating the business. The training will include significant "hands-on" time in a fully functioning Zen Massage Center. The training will take place at the Zen Massage® Home Center, 19911 Zion Avenue, Ste. D-1, Cornelius, NC 28031, or at another location that we may designate. You must complete the training program to our satisfaction prior to the Opening Date.

We will also provide three days of on-site grand opening support at your Center. This support shall occur as close to your Center's opening as possible, preferably less than seven days prior to opening, but no more than seven days following the opening, of the Center. If you request that we provide additional on-site training beyond our standard on-site grand opening support, and we are able to provide that training, then you must pay us our then-current per diem charges and out-of-pocket expenses, as described in the Manual or otherwise in writing. (See Franchise Agreement Sections 4, 5(c) and 7(g)).

The training program is informative as well as flexible to the individual Franchisee's needs. We acknowledge that each Franchisee will bring his/her unique work experience and skill set to Zen Massage Center and we may modify each new franchisee's program accordingly.

We may also recommend or require the use of Zoom sessions or training videos for modules on certain matters. These sessions may be required prior to or any time after the formal training session.

The following training program schedule is subject to change. As of the date of this Disclosure Document, Franchisor's initial training program includes:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
MONDAY			
This is Zen Massage! Full orientation/experience at Zen Massage Center, including massage (per appointments scheduling).		1-3	Zen Massage Home Center, 19911 Zion Ave. Ste D-1 Cornelius, NC 28031, or other designated Zen Massage Center.
History of Zen Massage, Zen System Purpose, Vision, Values, Business Structure.	2		Zen Massage Home Center, or other designated location.
Zero-Tolerance Inappropriate Behavior Policy and Protocols. Employee New Hire Package/Handbook, Interviewing and Hiring Therapists, Mock Interviews, Sales/Fee Reporting,	4		Zen Massage Home Center, or other designated location.

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
TUESDAY			
Non-Compliance/Manager Evaluation, Quality Standards Report, Location Operations	3		Zen Massage Home Center, or other designated location.
Location Operations	2	2	Zen Massage Home Center, or other designated location.
WEDNESDAY			
Franchise Sales, Accounting, Marketing, Product Knowledge: Detailed Description of Massages	2		Zen Massage Home Center, or other designated location.
Mindbody Software Training	2.5	1.5	Zen Massage Home Center, or other designated location.
Observe Front Desk – Operational Training		2	Zen Massage Home Center, or other designated location.
THURSDAY			
Mindbody Hands-On Training		3	Zen Massage Home Center, or other designated location.
Working the Front Desk – Mindbody Training		3.5	Zen Massage Home Center, or other designated location.
Closing Procedures		1.5	Zen Massage Home Center, or other designated location.
FRIDAY			
Opening Location, Working the Front Desk – Reports		4	Zen Massage Home Center, or other designated location.
Operations Test, Final Questions, Training Certificates		2	Zen Massage Home Center, or other designated location.

The training program is conducted primarily by the following persons:

Keith Larson will oversee all training. Mr. Larson is our CEO, and has been our Chief Marketing Officer since December, 2014. Through our affiliate, STRI LLC, he owns two Zen Massage Center franchises.

Several members of the Zen Massage franchise system will participate in your training. Keith Larson, CEO, will oversee all training with a particular focus on the System, Brand Standards, business operations, and marketing. Nancy Larson, General Manager of the STRI, LLC-owned Zen Massage Centers in Cornelius and Huntersville, NC, will provide training in all daily Zen Massage Center operations. She will be assisted by experienced front desk, massage, and esthetics personnel from our affiliate franchisee entity at Cornelius, NC. You may also have training conducted by an experienced Zen Massage franchisee, or others we designate. You will also receive training from: the team at Mindbody Software or our then-current POS business system; Shira Aesthetics, or our then-current skin care supplier; Kendall Scibal, Zen Massage Marketing Manager, and Kelly McKay, from LMRH Media, our social media marketing agency. Some or all of these sessions may be via Zoom.

5. GRAND OPENING PROGRAM

You are required to spend at least $5,000 on the Grand Opening Advertising Program (which is more fully described in Item 7 and below in Item 11 of this Disclosure Document) to promote your Center ahead of, and immediately following, the opening of the Center. We will assist you in developing the Grand Opening Advertising Program. (See Franchise Agreement Section 8(h)).

6. ZEN MASSAGE CENTER WEBSITE

We will provide and manage a single Zen Massage Center website (the "**Website**") which will include your Center's landing page and Center-specific information, with the functionality as described in the Brand Manual.

We are not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance or services before the opening of the Franchise.

Post-Opening Obligations.

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Center, we will assist you with the following:

1. INSPECTIONS

We may conduct, as we deem advisable, periodic inspections of the Zen Massage Center, and may evaluate the products sold and services rendered by your Zen Massage Center. (See Franchise Agreement Section 7(e)).

2. ADDITIONAL TRAINING

We may make available, or require, additional training programs, as we deem appropriate. You are not required to participate in these additional training programs unless we indicate otherwise. We will endeavor to utilize Zoom meetings to the greatest extent possible. We will seek to conduct any required in-person training program in conjunction with the bi-Annual Zen Massage Owner's Business Conference, but are not required to do so. (See Franchise Agreement Sections 4(a), 4(b) & 7(g)).

3. NEW DEVELOPMENTS

We may from time to time furnish you such business information and literature as we determine may be helpful in improving the operations of the Center. We shall advise you of new developments and improvements in the System and offer you services, rights and privileges substantially similar to those generally offered to other franchisees in the System. (See Franchise Agreement Sections 4(b) & 5(c)).

4. BRAND DEVELOPMENT FUND

We shall administer the Brand Fund as described in Item 6 above, which states that for each Accounting Period during the term of the Franchise Agreement, you must pay a Brand Fee of 2% of Gross Weekly Receipts of your Zen Massage Center following the opening of the Zen Massage Center. All Brand Fees are paid to the Brand Development Fund, and all contributions to and earnings from the Brand Fund will be used only to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, research, public relations and promotional programs and materials, and any other activities that we believe will enhance the image of the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail marketing; marketing surveys and other public relations activities; and maintaining, updating and improving the Website. The Marketing Fund will not be used to solicit new franchise sales.

We will designate all programs that the Brand Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; administering regional and multiregional marketing and advertising programs, including purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. The Brand Fund will advertise in printed materials or on radio or television for local, regional or national circulation, whatever we think best. We and/or a regional or national advertising agency will produce all advertising and marketing.

We may establish and receive input and feedback from an advisory council comprised of representatives of the franchisees. The advisory council, if we establish one, will be elected by the franchisees. The advisory council will serve in an advisory capacity only and will not have operational or decision-making power. We may alter the function and/or composition of the advisory council at any time, and may otherwise form, change or dissolve advisory councils.

You are not currently required to participate in a local or regional advertising cooperative, but we have the right to create one in your area, and if we do, you will be required to participate. If we form a regional advertising cooperative, rules, procedures, fees and expenditures would be determined by us.

We will account for the Brand Fund separately from our other funds and not use the Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Fund and its programs, including conducting market research, preparing advertising, promotion, and marketing materials, and collecting and accounting for Brand Fund contributions. We will provide to you an accounting of the expenditures from the Fund upon written request. We will not use Brand Fund contributions for advertising that principally is a solicitation for the sale of franchises. However, the addition of brief "Franchises Available" copy/notations where appropriate in the general advertising or marketing materials created under the Brand Fund (whether for display at your Center or used in marketing or promotional materials for publication in any medium) is allowed.

Although we will try to use the Brand Fund to develop advertising and marketing materials and programs, and to place advertising and marketing that will benefit all Zen Massage Centers, we are not obligated to ensure that Fund expenditures in or affecting any geographic area are proportionate or equivalent to Fund contributions by Zen Massage Centers operating in that geographic area or that any Zen Massage Center benefits directly or in proportion to its Brand Fund contribution from the development or placement of advertising and marketing materials. Any surpluses remaining in the Marketing Fund shall remain in the Brand Fund for future use.

In 2024, we used one hundred percent (100%) of the Brand Fund (then referred to as the Marketing Fund) for the development, creation and distribution of marketing materials (70%) and for the placement of marketing messages and materials (30%). None of the Brand Fund was used to cover administrative expenses.

The Brand Fund is not and will not be our asset and we will maintain separate bookkeeping accounts for the Brand Fund.

5. LOCAL ADVERTISING

You must spend at least $650.00 per month in local advertising. This minimum includes all mediums of advertising except yellow pages. Other than the materials available from us, you may not use, display, publish, broadcast, or in any manner disseminate any advertising or promotional material unless the same has been first approved in writing by us.

The restrictions on advertising apply to any information relating to us, you or the Center that you plan to use on any "website" (defined as an interactive electronic document contained in a network of computers linked by communications software, including the Internet, World Wide Web and any similar successor technology), and to any changes to any such website information. In our sole discretion, you must discontinue any website, other than the Website, operated by or for you that contains information relating to or describing your franchised Center and/or sign any documents, submit any information and do any other things we reasonably require to participate in the Website we administer. You are not permitted to own a website on the world-wide web that displays the words "Zen Massage Center" or any combination or variation thereof or uses any Proprietary Marks. (See Franchise Agreement Sections 8(c), (d), (e), (f) and (g)).

6. COMPUTER SYSTEM

We shall specify or require certain requirements, types and/or models of communications, computer System, computer software, and hardware to be used by, between, or among Zen Massage Centers and us, including without limitation: (i) a point of sale management and marketing System ("**POS System**") approved by us; (ii) printers and other peripheral devices; (iii) archival back-up systems; and (iv) internet access mode and speed (collectively, the "**Computer System**"). We estimate the cost to purchase all components of the Computer System is between $1,000 and $2,600. We reserve the right to require you to purchase, utilize and/or acquire certain computer hardware, software, and/or Internet access in connection with the Computer System (including the POS System), for which you may be required to pay a licensing fee. We cannot access information stored on your computers without your permission.

Currently, we provide you with Mindbody Software designed exclusively for the massage industry for which you must pay $200 per month. This may increase from time to time. The hardware specifications necessary to run the Mindbody Software are described in the Manual. You are not required to purchase any additional software. You may purchase the computer hardware from any supplier. We are not obligated to provide maintenance, repairs, or upgrades to your hardware. If any maintenance, repairs, upgrades or support for this program are required, this will be provided by a third party at your expense.

As a significant portion of the business is dependent on the functionality of the computer System and the Website, there will be changes as we deem necessary (at our sole discretion) to enhance the functionality. You must utilize the new functionality as part of the Franchise Agreement. The Manual will be updated and/or training will be provided (at our discretion) based on the complexity of the changes. (See Franchise Agreement Section 7(l)). We are not liable to you for any interruption in the business of your Center due to malfunctions or problems with the printers and other peripheral devices, any archival back-up systems, the POS System, the Computer System or the Website.

12.
TERRITORY

The Franchise Agreement grants you the right to operate one Zen Massage Center within the Protected Territory identified in the Franchise Agreement, which and shall be an area of at least 100,000 people within a certain area demarcated by zip code(s) or other descriptors. During the term of the Franchise Agreement, we will not establish or operate, nor license any other person or entity to establish or operate, a Zen Massage Center within the Protected Territory. Once your Protected Territory is identified in the Franchise Agreement, we have no right to modify your Protected Territory except with by written agreement signed by both you and us.

We, or a person that we specifically designate in writing, may offer products and services under the same or a different trade name or trademark, including within your Protected Territory through alternative distribution methods, including through catalogs, mail order and through electronic media, including television, radio, the Internet and through other new or emerging commercial technological media without paying you or any other franchisee.

We retain the rights, among others, on any terms and conditions we deem advisable, and without granting you any rights, to establish and operate, and license others to establish and operate, Zen Massage Centers outside the Protected Territory that may provide services and or sell products to consumers located within the Protected Territory.

You will continue to have territorial protection as described above during the term of your Franchise Agreement unless you are in default under the Franchise Agreement and we terminate the Franchise Agreement pursuant to Section 14 of the Franchise Agreement (in which case your Protected Territory will cease to exist upon the termination date of your Franchise Agreement). There are no other circumstances under which we may alter your territorial rights.

The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional Franchises within the Protected Territory or areas contiguous to the Protected Territory. Continuation of your territorial exclusivity under the Franchise Agreement is not dependent upon your achieving any sales quotas, market penetrations or other contingencies.

The Development Agreement grants an Area Developer the right to open an agreed upon number of Centers over an agreed upon period of time in an exclusive Development Area. Under the Development Agreement, so long as you develop and operate a specified number of Centers over a fixed period of time within the Development Area, you will have the exclusive right to establish and operate Centers within the Development Area until the date you were scheduled to open your last Center under your development schedule as set forth in your Development Agreement. The right of exclusivity may be terminated by Zen Massage if Zen Massage has the right to terminate any other agreement between you and Zen Massage or if the number of Centers open and operating in the Development Area falls below the minimum number required to be operated and operating at a particular time under your Development Agreement. Otherwise, continuation of your territorial exclusivity under the Development Agreement does not depend on achievement of a certain sales volume, market penetration or other contingency. See Items 1 and 5 and the Development Agreement for more information.

Except within the Protected Territory or Development Area, you have no exclusive territorial rights. Zen Massage and its affiliates may establish Zen Massage Centers outside of the Protected Territory or Development Area and grant licenses to third parties with respect to Centers, and you have no right to restrict or control the development of such Centers. Zen Massage may also offer and sell franchises and establish units owned by Zen Massage or affiliates which sell similar products or may allow others to sell similar products under different marks at any location. In addition, Zen Massage reserves the right on its own or through an affiliate, or through its franchisees, to develop non-traditional locations under the Proprietary Marks, both inside and outside the Protected Territory or Development Area, in Reserved Locations (as defined below). A "Reserved Location" means any nontraditional site within the Protected Territory or Development Area, which shall include, without limitation, an airport, arena, hospital, bus or train station, department store, stadium, school, college or university, convention center, state or national park, or military fort, post or base. Furthermore, Franchisor and its affiliates may also offer various services and products identified by the Proprietary Marks within the Protected Territory by mail, the Internet or other similar means of distribution**.**

Zen Massage cannot prevent other Zen Massage franchisees or retailers from placing advertising in your Protected Territory or Development Area.

Any relocation of your Center is subject to Zen Massage's prior written consent, which will not be unreasonably withheld. The proposed new location of the Center must be suitable for the operation of a Center in Zen Massage's discretion and located within your Protected Territory. In addition, you are responsible for all costs and fees involved in any relocation. See Item 6.

13.
TRADEMARKS

In the Franchise Agreement, Franchisor grants Franchisee the nonexclusive right to use certain trademarks, service marks, trade names, logos, and other commercial symbols in connection with the operation of Franchisee's Center in accordance with the terms of Franchisee's Franchise Agreement.

Franchisor's principal mark is composed of the words "Zen Massage" with the design of a lotus flower as shown on the cover page of this Disclosure Document. Franchisor uses these marks in close association with Franchisor's common law marks described below.

The marks registered on the Principal Register of the United States Patent Trademark Office ("USPTO") are shown in the chart below. No filings are due to maintain or renew the marks.

ZEN MASSAGE	US Registration No. 3522704 Filed: August 3, 2006 Registered: October 21, 2008 Renewed: Feb. 08, 2018
CLOSE YOUR EYES AND COUNT TO ZEN	US Registration No. 5321975 Filed: March 7, 2017 Registered: October 31, 2017
NO CONTRACTS NO MEMBERSHIP FEES JUST "AAAAH…"	US Registration No. 7735533 Filed: February 23, 2024 Registered: March 25, 2025
NO CONTRACTS. NO MEMBERSHIP FEES. NO HASSLES!	US Registration No. 7735690 Filed: March 14, 2024 Registered: March 25, 2025

Kevin and Lea Koon owned the mark ZEN MASSAGE (Reg. No. 3522704) which was registered at the USPTO on October 21, 2008. On November 17, 2008, they assigned their entire interest in the mark to Franchisor. The assignment is properly recorded at the USPTO.

All required affidavits have been filed for the marks in the table above.

In addition, we have filed an application to have the following mark registered on the Principal Register of the USPTO:

NO CONTRACTS NO MEMBERSHIP FEES JUST AHHH…!	Application No.: 99143289 Filed: April 17, 2025

In addition, Franchisor claims common law rights to the marks "NO CONTRACTS NO MEMBERSHIP FEES JUST AHHH…!," "Design of Lotus," and other marks in the areas where Franchisor uses them in association with the goods and services provided.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the principal mark.

Franchisor is presently unaware of any infringement that could materially affect Franchisee's use of the Proprietary Marks.

There are no agreements currently in effect that significantly limit Franchisor's rights to use or license the use of the principal mark in any manner material to the Franchisee.

In Franchisor's sole discretion, Franchisor may act to protect any and all rights that Franchisee has to use the Proprietary Marks as provided in the Franchise Agreement and to protect Franchisee against claims of infringement or unfair competition related to Franchisee's use of the Proprietary Marks.

Franchisee is obligated under the terms of the Franchise Agreement to notify Franchisor in writing immediately upon learning of any known or suspected infringements, imitations, or unauthorized uses of the Proprietary Marks (as defined in the Franchise Agreement). Franchisee is obligated to fully cooperate with Franchisor in the prosecution of any action to prevent the infringement, imitation, or illegal use of the Proprietary Marks and agree to be named as a party in any action at Franchisor's request. Franchisor will bear the legal expense incident to Franchisee's participation at Franchisor's request in any action, except for the cost of any independent legal counsel retained by Franchisee. Franchisor is entitled to retain all awards or settlement payments obtained in any action. Other than as described above, Franchisor has no obligation to participate in Franchisee's defense and/or to indemnify Franchisee for damages or expenses incurred if Franchisee is a party to any administrative or judicial proceedings involving Franchisor's Proprietary Marks licensed.

Franchisor has the right to require Franchisee to discontinue the use of any Proprietary Marks, upon termination of the Franchise Agreement, either by default or at the expiration of the term, as described in the Franchise Agreement. Franchisor may require Franchisee to modify or discontinue use of any of the Proprietary Marks, either as a result of actions or claims by a third party related to any or all of the Proprietary Marks, or for any other reason. In this case, Franchisor will provide an alternate successor name under which Franchisee must do business should Franchisee be required to discontinue the use of any existing Proprietary Marks. Franchisor is not required to reimburse Franchisee for Franchisee's expenses in modifying or discontinuing the use of a Proprietary Mark, including replacing Franchisee's signage; for any loss of goodwill associated with any modified or discontinued Proprietary Marks; or for any expenditures made by Franchisee to promote a modified or substitute trademark.

Under the Franchise Agreement, Franchisee acknowledges Franchisor's exclusive right, title, and interest in and to the Proprietary Marks, along with the identification schemes, standards, specifications, operating procedures, and other concepts embodied in the System. Except as expressly provided by the Franchise Agreement, Franchisee acquires no right, title, or interest in the Proprietary Marks or the System, and any and all goodwill associated with the System and the Proprietary Marks inures exclusively to Franchisor's benefit. Franchisee acknowledges that the use of the Proprietary Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent is an infringement of Franchisor's right, title, and interest in and to the Proprietary Marks. Franchisee expressly covenants that, during the term of the Franchise Agreement and after its expiration or termination, Franchisee will not, directly or indirectly, commit any act of infringement or contest, or aid in contesting, the validity or ownership of the Proprietary Marks or take any other action in derogation of the Proprietary Marks anywhere in the world.

Franchisor is not aware of any superior rights or infringing uses that could materially affect Franchisee's use of the principal trademark in the state where the Franchise will be.

14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered copyrights or patents which are material to the franchise, but we claim common law protection for many aspects of the System including any and all manuals, including but not limited to the Manual, website design and functionality, advertising and promotional material, and training materials and programs. We do not have any pending patent applications that are material to the Franchise.

The Franchise Agreement provides that the trade secrets, confidential information and know-how, sales techniques, lists of suppliers, and other valuable information regarding the business of operating a franchise which provides profession therapeutic massages and the System (collectively, the "**Confidential Information**") are proprietary to us and shall not be communicated to any other individual or entity by you.

You may use the Confidential Information only for the purposes and in the manner we authorize in writing. Our trade secrets and proprietary information include, but are not limited to, sales techniques, display techniques, advertising formats, accounting systems, operations systems, website design and functionality, warranties, policies, procedures, systems, compilations of information, records, specifications, customer relations, advertising, purchasing and other confidential information which we have developed for use in the operation of the Franchise. You may not contest our ownership of our trade secrets, methods or procedures or contest our right to register, use or license others to use any of such trade secrets, methods and procedures. You and your heirs, successors and assigns (including your partners, officers, directors, shareholders, and their respective heirs, successors and assigns) and your employees and their respective heirs, successors and assigns, may not use or disclose any Confidential Information in any manner other than as we permit in writing.

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

You must personally participate in the operation of your Center, or if you are a business entity, an equity interest owner you designate to communicate with us on the entity's behalf ("**Managing Owner**"), must personally participate in the operation of your Center, supervise the day-to-day operations of the Franchise and be capable, in our judgment, of properly training each Designated Manager you hire. If you or a Managing Owner does not personally supervise day-to-day operations, you must designate a full-time manager ("**Designated Manager**") to engage in such supervision. Your Designated Manager, including each subsequently appointed Designated Manager, must have successfully completed our initial training program before assuming managerial responsibility, and shall be responsible for training your employees. We do not place any other restrictions on whom you may hire as your Designated Manager, and your Designated Manager need not own any equity interest in the Franchise, but you must inform us as to the identity of your Designated Manager. Your Designated Manager must devote his or her personal full-time attention and best efforts to the management and operation of the Franchise and must agree, in writing, prior to assuming management responsibility, to maintain the confidentiality of our Confidential Information and operate your Zen Center consistent with the Brand Standards Manual. Even if you are designate an approved Designated Manager to supervise the day-to-day operation of your Center, you or the Managing Owner must still personally actively participate in the operation of the Center by providing active support, management and supervision to the Designated Manager.

Each individual who holds an equity interest in the Franchise must personally guarantee all of the obligations of the entity Franchisee under the Franchise Agreement or Development Agreement and agree to be bound by certain covenants contained in these agreements, including, among others, covenants against competition, disclosure of Confidential Information and regarding use of the Proprietary Marks and restrictions on transfer and assignment.

At our request, you must obtain and deliver executed covenants of confidentiality and non-competition from any persons who have an equity interest in the Franchise, Designated Managers or other people who receive or have access to training and other confidential information under the System. The covenants must be in a form satisfactory to us, and must provide that we are a third party beneficiary of, and have the independent right to enforce the covenants.

16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate the Franchise in strict conformity with all prescribed methods, procedures, policies, standards, and specifications of the System, as set forth in the Manual and in other writings issued by Franchisor periodically. You may offer and sell only those products and services that are authorized by us and conform to our standards and specifications (which are described in Items 1 and 8 above), and only at the Approved Location.

We may change or add to our required services and products at our discretion with prior notice to you (see Item 8). If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. There are no limitations on our rights to make changes to the required services and products offered by you. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove of or choose to no longer approve. We reserve the right to establish minimum and maximum prices for services and products you sell or offer for sale unless otherwise prohibited by applicable law. You must also participate in all system-wide promotions and advertising campaigns that we create. You must use our designated vendors for specified services that we require system-wide.

You may not sell any product or render any goods or services through any other means, including without limitation through satellite locations, temporary locations, mail order, or the Internet.

17.
FEE, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

This table lists important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Disclosure Document as Exhibit C.

Provision	**Section in Franchise Agreement**	**Summary**
(a) Term of Franchise	Section 2	Ten years, commencing on the Effective Date, unless earlier terminated in accordance with the terms of the Franchise Agreement.
(b) Renewal or extension of the term	Section 2	You have the right to renew the term for one additional ten year term, provided that you have met conditions described in the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
(c) Requirements for you to renew or extend	Section 2	You must (i) give us written notice of intent to renew at least 180 days prior to the end of the initial term of the Franchise Agreement; (ii) not be in default under the Franchise Agreement and be in compliance with all material operating Brand Standards and procedures; (iii) maintain possession of the franchise location (iv) satisfy all monetary obligations owed by you to Franchisor and have a history of timely meeting these obligations throughout the initial term; (v) pay the renewal fee of $10,000 prior to the expiration of the current term. We may require you to upgrade or to relocate your Center. You must be in substantial compliance with your current franchise agreement, sign our then-current franchise agreement and any ancillary documents for the renewal term, and this new franchise agreement may have materially different terms and conditions (including for example, higher Royalty Fees and Brand Fees) from the Franchise Agreement that covered your initial term; sign a general release; provide proof of current licenses, permits and insurance; pay the renewal fee; upgrade the Center, technology, and comply with all current requirements of the Brand Standards Manual.
(d) Termination by you	None	You may terminate on any grounds available by law.
(e) Termination by us without cause	None	The Franchise Agreement cannot be terminated without cause.
(f) Termination by us with cause	Section 14	We can terminate only if you default or if certain events (described in (g) and (h) below) occur.
(g) "Cause" defined - curable defaults	Section 14 (a)(ii)	You have 30 days to cure any non-monetary breach and 10 days to cure any monetary breach of the Franchise Agreement, except those listed in subsection (h) below.

Provision	Section in Franchise Agreement	Summary
(h) Cause defined - non-curable defaults.	Section 14	We have the right to terminate the Franchise Agreement upon notice to you without affording you the opportunity to cure a breach upon the occurrence of: (i) your bankruptcy/insolvency; (ii) any abandonment of the Center for more than seven consecutive business days; (iii) your conviction of certain crimes; (iv) a transfer of interest in violation of the Franchise Agreement; (v) a failure to open the Center within the prescribed time limits; (vi) the disclosure of the contents of the Manual, Confidential Information or Trade Secrets; (vii) the violation of covenants not to compete set forth in the Franchise Agreement; (viii) the failure to comply with a law, regulation or ordinance relating to public health or safety; (ix) you engage in any activity which has a material adverse effect on the us and/or the Proprietary Marks and/or engage in any other business in the Approved Location; (x) any misrepresentations in any agreement with Franchisor; or (xi) two or more breaches of the Franchise Agreement by you during any 12 month period.
(i) Your obligations on termination/non-renewal	Section 15	In the event of termination or non-renewal of the Franchise Agreement, you must discontinue the use of any and all of our names and marks, and discontinue the use of all of our confidential information, designs, advertising and telephone numbers and listings, associated with the operation of the Center.
(j) Assignment of contract by us	Section 11	We have the right to transfer or assign the Franchise Agreement or our rights and obligations under the Franchise Agreement to any person or legal entity without your consent.
(k) "Transfer" by you - defined	Section 11	Includes any sale, assignment conveyance, pledge merger, transfer or encumbrance of the Franchise Agreement, the Center name, and/or the franchise and license granted by the Franchise Agreement.
(l) Our approval of transfer by you.	Section 11	You must obtain our prior written consent before you can transfer your interest in the Franchise Agreement to a third party. We may require conditions to be met before giving approval.

Provision	**Section in Franchise Agreement**	**Summary**
(m) Conditions for our approval of transfer	Section 11	Includes payment of money owed, cure of any default, execution of new franchise agreement by transferee, and payment of transfer fee.
(n) Our right of first refusal to acquire your business	Section 11	We have the right and option to match any third-party offer upon the same terms and conditions offered by the proposed transferee.
(o) Our option to purchase your business.	None	None
(p) Your death or mental incapacity	Section 11	Interest in Franchise may be transferred to a third party approved by us.
(q) Non-competition covenants during the term of the franchise.	Section 16	You agree that during the term of the Franchise Agreement, you will not engage in any competitive business.
(r) Non-competition covenants after the franchise is terminated or expires	Section 16	Neither You as an individual or as a representative of the Franchisee entity, if applicable, cannot have an interest in, own, manage, operate, finance, control, or participate in any competitive business within 15 miles of your Zen Massage Center, or any other Zen Massage Center, either opened or under development, or territory of either the Franchise or any Zen Massage Center, for two years. Further, you may not solicit any customer, employee, or independent contractor of the Franchise or any Zen Massage Center for two years, subject to applicable state law.
(s) Modification of the Agreement.	Section 23	Except for modifications permitted to be made by us without your approval or consent, any amendment, change or modification to the Franchise Agreement must be mutually agreed to by us and executed in writing by both parties.
(t) Integration/merger clauses	Section 23	The Franchise Agreement contains the entire agreement between the parties.

Provision	Section in Franchise Agreement	Summary
(u) Dispute resolution by Arbitration or Mediation	Section 17	Binding arbitration, except that prior to the instigation of arbitration or litigation, the parties shall make good faith efforts to resolve disputes through non-binding mediation. Also, nothing shall limit the Franchisor's right to seek injunctive relief in the event of any breach of threatened breach of the terms of the Franchise Agreement.
(v) Choice of forum	Section 22	Arbitration must take place in the city or county where we maintain our principal place of business. Otherwise, parties consent to the exclusive jurisdiction and venue of any court of general jurisdiction, located in the County of Cabarrus, State of North Carolina.
(w) Choice of law	Section 22	The laws of the State of North Carolina except where federal law governs the subject matter.

This table lists important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this disclosure document as Exhibit J.

	Provision	Section(s) in Development Agreement	Summary
(a)	Term of Development Agreement	Section II(A)	Expires upon the date the last Franchise is to be opened, as specified in the Development Schedule attached to the Development Agreement.
(b)	Renewal or extension of the term	Section II(B)	Three consecutive one-year successor terms provided certain conditions are met.

	Provision	Section(s) in Development Agreement	Summary
(c)	Requirements for you to renew or extend	Section II(B)	Renewal is subject to contractual requirements; including, among others: you give notice as specified, compliance with Development Agreement and there exists no default or conditions which with the passage of time could become a default under any agreement with us and any of our affiliates. In addition, you must sign our then current form of Development Agreement for any Successor Term, which may contain terms and conditions that are materially different from the Development Agreement previously executed, after the 10th anniversary of the effective date of your Development Agreement.
(d)	Termination by you	None	You may terminate on any grounds available by law.
(e)	Termination by Zen Massage without cause	None	The Development Agreement cannot be terminated without cause.
(f)	Termination by Zen Massage with cause	Section VI	We can terminate only if you default or if certain events (described in (g) and (h) below) occur.
(g)	“Cause” defined - defaults which can be cured	None	None
(h)	“Cause” defined - defaults which cannot be cured	Section VI(A)	We have the right to terminate if (i) you fail to open and operate Centers in accordance with the Schedule; (ii) there is an event of default under any Franchise Agreement which results in a termination of the Franchise Agreement; (iii) there is a material misrepresentation on your application to own a Franchise; (iv) you disclose Confidential Information; your bankruptcy/insolvency; (v) you engage in behavior that has a material adverse effect on Franchisor and/or the Proprietary Marks; (vi) there is an event of default under any other agreement between you or your affiliates and Zen Massage or its affiliates; (vii) you commit three or more curable breaches of the Development Agreement during any 12

	Provision	Section(s) in Development Agreement	Summary
			month period; or (viii) there is a violation of covenants not to compete set forth in the Area Development Agreement.
(i)	Your obligations on termination/non-renewal	Section VI(C)	Return Confidential Information and cease using Proprietary Marks, unless you have the right to retain the Confidential Information or use the Proprietary Marks under another valid agreement with Zen Massage. Agreement not to compete as set forth in row "r" below.
(j)	Assignment of contract	Section VIII(A)	No restriction on right to transfer by Zen Massage.
(k)	"Transfer" by you -defined	Section VIII(B)	Any transfer or assignment of the Development Agreement or any ownership interest in the franchising entity that results in a change in control.
(l)	Zen Massage's approval of transfer by you	Section VIII(B)	We have the right to approve all transfers.
(m)	Conditions for Zen Massage's approval of transfer	Section VIII(B)	Zen Massage has no obligation to approve any transfer unless you have assigned all of your rights under Franchise Agreements relating to Centers in your Development Area.
(n)	Zen Massage's right of first refusal to acquire your business	None	None
(o)	Zen Massage's option to purchase your business	None	None

	Provision	Section(s) in Development Agreement	Summary
(p)	Your death or mental incapacity	None	None
(q)	Non-competition covenants during the term	Section VII(B)	No involvement in a similar business from the Franchise location(s), within the restricted area as defined in any of your Franchise Agreements, or within a 15-mile radius of any other Center during the term of the Development Agreement.
(r)	Non-competition covenants after the Development Agreement is terminated or expires	Section VII(B)	No involvement in a similar business from the Franchise location(s), within the restricted area as defined in any of your Franchise Agreements, or within a 15-mile radius of any other Center for 2 years after termination.
(s)	Modification of the Development Agreement	Section IX(I)	Must be in writing by both sides.
(t)	Integration/ merger clause	Section IX(I)	Only the terms of the Development Agreement are binding (subject to state law). Any other promises may not be enforceable.
(u)	Disputes resolution by arbitration or mediation	Section IX(A)	Binding arbitration except for Zen Massage's right to obtain injunctive relief in state or federal courts in certain instances.
(v)	Choice of forum	Section IX(A)	City or county where Zen Massage has it principal place of business (currently, Charlotte, North Carolina located in Cabarrus County) for binding arbitration and injunctive relief by Zen Massage.
(w)	Choice of law	Sections IX(E)	The laws of the State of North Carolina except where federal law governs the subject matter.

18.
PUBLIC FIGURES

We do not currently use any public figure to promote the Franchise.

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.

Basis

At the end of the calendar year 2024, there were nine (9) centers in operation: seven (7) franchised locations and two (2) locations operated by our affiliate. All nine locations have been in operation throughout the entirety each of the following calendar years: 2022, 2023 and 2024. The two affiliate-owned locations operate in North Carolina. The seven franchised locations operate in Kansas, Missouri, Nevada, North Carolina and South Carolina (see Item 20 below).

Our financial performance representation presents the total Gross Weekly Receipts (as defined in Note 1 to Item 6 of this disclosure document) received by the nine centers in each of the years indicated (the total Gross Weekly Receipts received during an entire year is referred to in this Item 19 as "Gross Receipts"). This financial performance representation is based on the unaudited reports of our affiliate-owned and franchised centers. This information has not been audited and may not be based on generally accepted accounting principles consistently applied.

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Average Annual Gross Receipts
2022, 2023 and 2024

The following chart states the average and median Gross Receipts received by our nine affiliate-owned and franchised centers combined; the average and median Gross Receipts of our seven franchised centers; and the average and median Gross Receipts of our two affiliate-owned centers, during 2022, 2023 and 2024.

	2022	2023	2024
Average Gross Receipts (all 9 centers)	$438,552[1]	$473,133[2]	$476,541[3]
Median Gross Receipts (all 9 centers)	$355,840	$372,671	$390,806

Average Gross Receipts (7 franchised centers)	$474,399[4]	$506,231[5]	$518,113[6]
Median Gross Receipts (7 franchised centers)	$421,293	$563,192	$524,566

[1] Three centers had Gross Receipts of more than this amount in 2022; six had less. The best performing center had $820,731 in Gross Receipts in 2022 and the worst performing center had $304,075 in Gross Receipts in 2022.
[2] Four centers had Gross Receipts of more than this amount in 2023; five had less. The best performing center had $812,327 in Gross Receipts in 2023 and the worst performing center had $328,070 in Gross Receipts in 2023.
[3] Four centers had Gross Receipts of more than this amount in 2024; five had less. The best performing center had $812,694 in Gross Receipts in 2024 and the worst performing center had $320,165 in Gross Receipts in 2024.
[4] Three franchised centers had Gross Receipts of more than this amount in 2022; four had less. The best performing franchised center had $820,731 in Gross Receipts in 2022 and the worst performing franchised center had $316,764 in Gross Receipts in 2022.
[5] Four franchised centers had Gross Receipts of more than this amount in 2023; three had less. The best performing franchised center had $812,327 in Gross Receipts in 2023 and the worst performing franchised center had $328,070 in Gross Receipts in 2023.
[6] Four franchised centers had Gross Receipts of more than this amount in 2024; three had less. The best performing franchised center had $812,694 in Gross Receipts in 2024 and the worst performing franchised center had $338,438 in Gross Receipts in 2024.

Average and median Gross Receipts (2 affiliate-owned centers)	$313,089[7]	$357,290[8]	$331,037[9]

The following chart states the average and median Gross Receipts received by the three top performing centers from among our nine franchised and affiliate-owned centers combined; the fourth, fifth and sixth best performing centers from among our nine affiliate-owned and franchised centers combined; and the three bottom performing centers from among our nine affiliate-owned and franchised centers combined, during 2022, 2023 and 2024.

	2022	2023	2024
Average Gross Receipts (top 3 performing centers)	$627,287	$649,076	$669,659
Median Gross Receipts (top 3 performing centers)	$560,337	$571,452	$625,130

Average Gross Receipts (3 middle performing centers)	$374,055	$433,585	$426,459
Median Gross Receipts (3 middle performing centers)	$355,840	$372,671	$390,806

Average Gross Receipts (3 bottom performing centers)	$314,314	$336,737	$333,504

[7] One affiliate-owned center had Gross Receipts of more than this amount in 2022 ($322,103); one had less ($304,075).
[8] One affiliate-owned center had Gross Receipts of more than this amount in 2023 ($364,892); one had less ($349,687).
[9] One affiliate-owned center had Gross Receipts of more than this amount in 2024 ($341,909); one had less ($320,165).

Median Gross Receipts (3 bottom performing centers)	$316,764	$332,455	$338,438

Since ________, we have recommended that franchised centers have at least five (5) or more massage rooms. Seven (7) of our nine (9) centers have five or more massage rooms. Six (6) of the seven centers with five or more massage rooms are franchised centers. The average Gross Receipts for the six (6) franchised centers with five or more massage rooms are shown below:

	2022	2023	2024
Average Gross Receipts (6 franchised centers with 5 or more massage rooms)	$494,159[10]	$535,194[11]	$548,059[12]
Median Gross Receipts (6 franchised centers with 5 or more massage rooms)	$461,043	$563,320	$547,859

Some centers have achieved sales of this amount. Your individual results may differ. There is no assurance that you'll earn as much.

Assumptions

There are no material differences between our affiliate-owned centers and franchised centers. Affiliate-owned centers, franchised centers and your Center will operate under the same System and with substantially similar operating requirements.

Results of a particular center can be affected by many characteristics, such as: (a) type of building in which it is located; (b) size and number of massage rooms; (c) available parking; (d) ease of access and traffic congestion; (e) geographic area; (f) potential differences in management, operations, and advertising, marketing, and social media expertise; (g) single unit or multi-unit (i.e. locations owned and operated by single unit franchisees

[10] Three of the six franchised centers with 5 or more massage rooms had Gross Receipts of more than this amount in 2022; three had less. The best performing of those six centers had $820,731 in Gross Receipts in 2022 and the worst performing of those six centers had $316,764 in Gross Receipts in 2022.

[11] Four of the six franchised centers with 5 or more massage rooms had Gross Receipts of more than this amount in 2023; two had less. The best performing of those six centers had $812,327 in Gross Receipts in 2023 and the worst performing of those six centers had $328,070 in Gross Receipts in 2023.

[12] Three of the six franchised centers with 5 or more massage rooms had Gross Receipts of more than this amount in 2024; three had less. The best performing of those six centers had $812,694 in Gross Receipts in 2024 and the worst performing of those six centers had $364,005 in Gross Receipts in 2024.

versus multiple franchised locations owned and operated by larger, more experienced, multi-unit operators with accompanying economies of scale, increased advertising dollars, and management and operations expertise; (h) whether the Mark is already established with multiple locations in the marked or whether the brand is new to the market; (i) name recognition; (j) competition: from same-system centers, independent businesses, and other franchise systems; (k) economic and demographic characteristics of the market: (l) regional acceptability for the products and services offered by the center; (m) capitalization by, and amount of debt of, the operator of the center; (n) the owner's access to and availability of financial resources; (o) the available pool of quality labor to staff the center and the quality and training of staff; (p) weather conditions; (o) the owner's(') personal business, marketing, management, judgment and other skills; (q) the owner's(') willingness to work hard and follow the System; and (r) local market conditions.

We will, upon reasonable request, provide you the written substantiation of the data presented in this Item. Other than the preceding financial performance representation, we do not make any financial-performance representations. We also do not authorize our employees or representatives to make any such representations, either orally or in writing.

IF YOU RECEIVE ANY OTHER FINANCIAL PERFORMANCE INFORMATION OR PROJECTIONS OF YOUR FUTURE INCOME, YOU SHOULD DISREGARD IT AND REPORT IT TO THE FRANCHISOR'S MANAGEMENT BY CONTACTING KEITH R. LARSON BY MAIL AT 19911 ZION AVENUE, STE. D-1 CORNELIUS, NC 28031 OR BY PHONE AT 980-689-2760, THE FEDERAL TRADE COMMISSION, AND THE APPROPRIATE STATE REGULATORY AGENCIES.

20.
OUTLETS AND FRANCHISE INFORMATION

Table 1: System Wide Outlet Summary
For years 2022 to 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	7	7	±0
	2023	7	7	±0
	2024	7	7	±0
	2022	2	2	±0

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned [1]	2023	2	2	±0
	2024	2	2	±0
Total Outlets	2022	9	9	±0
	2023	9	9	±0
		9	9	±0

[1] We do not own or operate Zen Massage® Centers, however, our affiliate, STRI LLC, which is owned by Zen Massage's CEO, owns and operates two Centers, in Huntersville, NC and Cornelius, NC, as a Zen Massage® franchisee. The Cornelius Center is also the Home Center for ZMFI operations and training.

Table 2: Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2022 to 2024

State	Year	Number of Transfers
South Carolina	2022	1
	2023	0
	2024	0
Total	2022	1
	2023	0
	2024	0

Table 3: Status of Franchised Outlets
For Years 2022 to 2024

State	Year	Out-lets at Start of Year	Out-lets Opened	Termi-nated	Non-Renew-als	Reac-quired by Franchi-sor	Ceased Opera-tions Other Reasons	Out-lets at End of Year
Kansas	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Missouri	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nevada	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
South Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Totals	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7

Table 4: Status of Company-Owned Outlets
For Years 2022 to 2024

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
North Carolina	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Totals	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

We do not own or operate Zen Massage® Centers, however, our affiliate, STRI LLC, which is owned by Zen Massage's CEO, owns and operates two Centers, in Huntersville, NC and Cornelius, NC, as a Zen Massage® franchisee. The Cornelius Center is also the Home Center for ZMFI operations and training.

Table 5: Projected Openings as of December 31, 2024

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
Nevada	1	1	0
Total	1	1	0

A list of the names of all franchisees and the address and telephone numbers of their Franchises as of December 31, 2024 is attached as Part A of **Exhibit E** to this Disclosure Document. The name and last known home address of every franchisee who has had a Franchise terminated, cancelled, or not renewed or has otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during Zen Massage's 2024 fiscal year or has not communicated with us within 10 weeks prior to the application date, are included as Part B of **Exhibit E**. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Franchisor. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you. If you buy a Franchise, your contact information may be disclosed to other buyers when you leave the System.

21.
FINANCIAL STATEMENTS

Attached as **Exhibit A** to this Disclosure Document are Franchisor's audited financial statements, which include balance sheets as of December 31, 2024, December 31, 2023 and December 31, 2022 and the related statements of income, retained earnings and cash flows for the years then ended. The financial statements have been prepared in accordance with generally accepted accounting principles and audited by an independent certified public accountant. Our fiscal year end is December 31.

22.
CONTRACTS

Attached to this Disclosure Document are the following contracts and agreements proposed for use or in use with regard to the offer of this Franchise:

Exhibit C – Franchise Agreement
Exhibit J – Area Development Agreement

23.
RECEIPT

The last page of this Disclosure Document is a detachable document acknowledging receipt of the Disclosure Document by you. You should sign both copies of the Receipt and return one signed copy to Zen Massage Franchising, Inc., 19911 Zion Avenue, Ste D-1, Cornelius, NC 28031, or directly to Franchisor's representative.

EXHIBIT A
TO
FRANCHISE DISCLOSURE DOCUMENT

I. Audited Financial Statements

See attached.

ZEN MASSAGE FRANCHISING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

ZEN MASSAGE FRANCHISING, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Scharf Pera
& Co., PLLC Certified Public Accountants

4600 Park Road, Suite 112
Charlotte, NC 28209
704 372-1167
704 377-3259 fax
scharfpera.com

To the Stockholder
Zen Massage Franchising, Inc.
Charlotte, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Zen Massage Franchising, Inc., which comprise of the balance sheets as of December 31, 2023 and 2022, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zen Massage Franchising, Inc. as of December 31, 2023 and 2022, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Scharf Pera & Co., PLLC

March 8, 2024
Charlotte, North Carolina

ZEN MASSAGE FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 104,510	$ 103,809
Accounts receivable, net of allowance for doubtful accounts	4,491	314
Total current assets	109,001	104,123
PROPERTY AND EQUIPMENT - net of accumulated depreciation	-	225
OTHER ASSETS		
Accounts receivable - net of current portion	-	3,000
Note receivable - stockholder	8,606	9,606
Trademarks, net of accumulated amortization	5,794	4,695
	14,400	17,301
	$ 123,401	$ 121,649
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 820	$ 1,837
Accrued expenses	2,960	1,031
Total current liabilities	3,780	2,868
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, no par value, 100,000 shares authorized; 21,280 shares issued and outstanding	211,344	211,344
Accumulated deficit	(91,723)	(92,563)
	119,621	118,781
	$ 123,401	$ 121,649

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUE		
Royalty fees	$ 213,026	$ 199,326
Marketing fees	44,310	39,751
Digital insight fees	-	13,320
Franchise renewal fee	-	5,000
Area development agreement	-	7,000
	257,336	264,397
OPERATING EXPENSES	256,496	262,111
OPERATING INCOME	840	2,286
OTHER INCOME (EXPENSE)		
Interest income (expense)	-	(46)
	-	(46)
NET INCOME BEFORE INCOME TAXES	840	2,240
INCOME TAXES	-	-
NET INCOME	$ 840	$ 2,240

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock		Accumulated	
	Shares	Amount	deficit	Total
Balance at December 31, 2021	21,280	$ 211,344	$ (94,803)	$ 116,541
Net income	-	-	2,240	2,240
Balance at December 31, 2022	21,280	211,344	(92,563)	118,781
Net income	-	-	840	840
Balance at December 31, 2023	21,280	$ 211,344	$ (91,723)	$ 119,621

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Net income	$ 840	$ 2,240
Adjustments to reconcile net income to net cash (used) provided by operating activities		
Depreciation and amortization	1,596	2,424
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,177)	27,427
Increase in other assets	(2,470)	-
Decrease in accounts payable	(1,017)	(164)
Increase in accrued expenses	1,929	676
Net cash (used) provided by operating activities	(299)	32,603
Cash flows from investing activities		
Net cash used in investing activities	-	-
Cash flows from financing activities		
Payments on note receivable - stockholder	1,000	3,208
Net cash provided by financing activities	1,000	3,208
NET INCREASE IN CASH	701	35,811
CASH AT BEGINNING OF YEAR	103,809	67,998
CASH AT END OF YEAR	$ 104,510	$ 103,809
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

ZEN MASSAGE FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1 - Nature of Business and Summary of Significant Accounting Policies:

Zen Massage Franchising, Inc. (the "Company") was organized in North Carolina in 2006 as a member-managed limited liability company under the name of Abundance Group, LLC. The Company converted from an LLC to a C Corporation in December 2007 and changed its name to Zen Massage Franchising, Inc. The Company is engaged in the marketing of "Zen Massage Center" franchises, which provide professional therapeutic massage and skin care services. The Company and its franchisees are located in the United States.

Cash and Cash Equivalents:

For purposes of reporting the statement of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

The Company extends credit to its customers in the normal course of business and performs ongoing credit evaluations of its customers. Management provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts as presented in Note 2. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which is five years.

Trademarks:

Trademarks are initially measured based on their fair value. Trademarks are being amortized on a straight-line basis over a period of fifteen years. Trademarks are tested for impairment annually.

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

Revenue Recognition:

The Company adopted Financial Accounting Standards Board's ("FASB"), Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, on January 1, 2019 using the modified retrospective method. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction prices; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Based on the manner in which the Company historically recognized revenue, the adoption of ASC 606 did not have a material impact on the amount or timing of its revenue recognition, and they recognized no cumulative effect adjustment upon adoption. The practical expedients under ASU 2021-02 aim to simplify the application about identifying performance obligations by permitting franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license.

Initial Franchise Fees:

The Company adopted the practical expedient to enable recording of revenue on initial franchise fees as certain pre-opening performance obligations as set forth in the franchise agreement are completed.

Repossessed Franchises:

The Company periodically reacquires franchise agreements from franchisees. In accordance with FASB ASC 606, the consideration refunded is recorded as a reduction of revenue in the period the franchise is repossessed.

Royalties and Marketing Fees:

Royalties and marketing fees are recognized as revenue based on a percentage of the monthly gross revenues as reported by franchisees, and are accrued as the underlying franchisee revenue is earned.

Income Taxes:

The Company is a C Corporation and accounts for income taxes in accordance with FASB ASC Topic 740 "Income Taxes". Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets may not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

FASB ASC 740-10 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the balance sheet.

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

Income Taxes (continued):

It also provides guidance on derecognition, measurement and classification of amounts related to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim period disclosures and transition relating to the adoption of new accounting standards. Under FASB ASC 740-10, the recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained upon audit. The tax position is measured as the largest amount of benefit that has a greater than fifty percent probability of being realized upon settlement. Management has determined that adoption of this topic has had no effect on the Company's balance sheet. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

Use of Estimates in the Preparation of Financial Statements:

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

Fair Value of Financial Instruments:

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The carrying amounts of these financial instruments approximate fair value.

The Company did not have any outstanding financial derivative instruments.

Note 2 - Accounts Receivable:

At December 31, 2023 and 2022, accounts receivable consisted of the following:

	2023	2022
Trade accounts receivable	$ 3,864	$ 1,594
Accounts receivable - related party	627	1,720
	4,491	3,314
Less: allowance for doubtful accounts	-	-
	$ 4,491	$ 3,314

As of December 31, 2023 and 2022, the accounts receivable – related party, consisted of royalty and marketing fees due in the normal course of business from franchisees owned by the Company's majority shareholder.

Note 3 - Property and Equipment:

At December 31, 2023 and 2022, property and equipment was comprised of:

	2023	2022	Estimated Useful Life
Office equipment	$ 522	$ 522	5 years
Computer equipment	15,074	15,074	5 years
Software	11,144	11,144	5 years
	26,740	26,740	
Less: accumulated depreciation	(26,740)	(26,515)	
	$ -	$ 225	

For the years ended December 31, 2023 and 2022, depreciation expense was $225 and $900 respectively.

Note 4 - Trademarks:

At December 31, 2023 and 2022, trademarks was comprised of:

	2023	2022
Trademarks	$ 25,334	$ 22,865
Less: accumulated amortization	(19,540)	(18,170)
	$ 5,794	$ 4,695

For the years ended December 31, 2023 and 2022, amortization expense charged to operations was $1,371 and $1,524 respectively. Future amortization expense is expected to be as follows:

Year ending December 31,	
2024	$ 536
2025	536
2026	536
2027	536
2028	536
Thereafter	3,114
	$ 5,794

Note 5 - Income Taxes:

Deferred income taxes are provided in recognition of temporary differences in reporting certain revenues and expenses for financial statement and income tax purposes.

Net deferred tax assets (liabilities) consisted of the following components as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets		
Net operating loss carryforwards	$ 40,315	$ 40,257
Deferred tax liabilities		
Property and equipment	-	(225)
	40,315	40,032
Valuation allowance	(40,315)	(40,032)
	$ -	$ -

The ultimate realization of these assets is dependent upon the generation of future taxable income sufficient to offset the related deductions and loss carryforwards within the applicable carryforward period. The valuation allowance is based on the uncertainty of the Company's ability to generate sufficient taxable income in future years to fully utilize the net operating loss carryforwards.

As of December 31, 2023, the Company has net operating loss carryforwards available for federal and state income tax reporting purposes of approximately $154,465. Some of these net operating loss carryforwards begin to expire in 2028.

Note 6 - Advertising and Promotional Costs:

Advertising and promotional costs are expensed as incurred. During the years ended December 31, 2023 and 2022, the Company incurred $21,522 and $42,041, respectively, for franchisees and website expenses for advertising and promotional costs.

Note 7 - Related Party Transactions:

There was a note receivable from a stockholder with balances of $8,606 and $9,606 as of December 31, 2023 and 2022, respectively. No advances were made during the years ended December 31, 2023 and 2022. The loan agreement was amended in 2012 allowing the loan to be a line of credit in an amount up to $50,000. This shareholder was paid consulting fees of $1,000 and $3,207 for the years ended December 31, 2023 and 2022, respectively.

A second shareholder owns two franchises. Total royalty and marketing fee revenue reported for the years ended December 31, 2023 and 2022 was $43,451 and $38,965, respectively. The company paid the same shareholder rent for office space of $18,000 and $10,000 during the years ended December 31, 2023 and 2022, respectively. In addition, during the year ended December 31, 2022, this shareholder acted as Chief Executive Officer and was paid consulting fees of $150,000. During 2023 this shareholder was paid as an employee.

Note 8 - Commitments and Contingencies:

In 2018, the Company entered into a stock ownership and compensation agreement with a new stockholder. The agreement calls for the stockholder to receive monthly base compensation of $2,500. The base fee will increase as revenue generated by the marketing fund increases, with the stockholder set to receive 60 percent of the expected marketing fund. In addition, the compensation agreement calls for increases in the monthly base upon the Company reaching an established threshold of annual gross sales, with the stockholder being hired full time should the gross sales cross a second threshold. This agreement ended in 2022.

Note 9 - Subsequent Events:

The Company evaluated all events and transactions through March 8, 2024, the date these financial statements were issued. During this period, there were no material recognizable or non-recognizable subsequent events.

ZEN MASSAGE FRANCHISING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

ZEN MASSAGE FRANCHISING, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Scharf Pera
& Co., PLLC Certified Public Accountants

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To the Stockholders
Zen Massage Franchising, Inc.
Charlotte, North Carolina

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zen Massage Franchising, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Zen Massage Franchising, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Zen Massage Franchising, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Zen Massage

Franchising, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Zen Massage Franchising, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Zen Massage Franchising, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Schaf Pera + Co., PLLC

February 21, 2025
Charlotte, North Carolina

ZEN MASSAGE FRANCHISING, INC.
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 105,035	$ 104,510
Accounts receivable, net of allowance for doubtful accounts	8,681	4,491
Total current assets	113,716	109,001
OTHER ASSETS		
Note receivable - stockholder	7,606	8,606
Trademarks, net of accumulated amortization	5,258	5,794
	12,864	14,400
	$ 126,580	$ 123,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 3,360	$ 820
Accrued expenses	6,413	2,960
Total current liabilities	9,773	3,780
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock, no par value, 100,000 shares authorized; 21,280 shares issued and outstanding	211,344	211,344
Accumulated deficit	(94,537)	(91,723)
	116,807	119,621
	$ 126,580	$ 123,401

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
REVENUE		
Royalty fees	$ 214,476	$ 213,026
Marketing fees	42,895	44,310
Area development agreement	5,000	-
	262,371	257,336
OPERATING EXPENSES	265,205	256,496
OPERATING (LOSS) INCOME	(2,834)	840
OTHER INCOME (EXPENSE)		
Other income	20	-
	20	-
NET (LOSS) INCOME BEFORE INCOME TAXES	(2,814)	840
INCOME TAXES	-	-
NET (LOSS) INCOME	$ (2,814)	$ 840

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Common Stock		Accumulated	
	Shares	Amount	deficit	Total
Balance at December 31, 2022	21,280	$ 211,344	$ (92,563)	$ 118,781
Net income	-	-	840	840
Balance at December 31, 2023	21,280	211,344	(91,723)	119,621
Net loss	-	-	(2,814)	(2,814)
Balance at December 31, 2024	21,280	$ 211,344	$ (94,537)	$ 116,807

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net (loss) income	$ (2,814)	$ 840
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Depreciation and amortization	536	1,596
Changes in operating assets and liabilities:		
Increase in accounts receivable	(4,191)	(1,177)
Increase in other assets	-	(2,470)
Increase (decrease) in accounts payable	2,541	(1,017)
Increase in accrued expenses	3,453	1,929
Net cash used in operating activities	(475)	(299)
Cash flows from financing activities		
Payments on note receivable - stockholder	1,000	1,000
Net cash provided by financing activities	1,000	1,000
NET INCREASE IN CASH	525	701
CASH AT BEGINNING OF YEAR	104,510	103,809
CASH AT END OF YEAR	$ 105,035	$ 104,510

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

See Notes to Financial Statements

ZEN MASSAGE FRANCHISING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

Note 1 - Nature of Business and Summary of Significant Accounting Policies:

Zen Massage Franchising, Inc. (the "Company") was organized in North Carolina in 2006 as a member-managed limited liability company under the name of Abundance Group, LLC. The Company converted from an LLC to a C Corporation in December 2007 and changed its name to Zen Massage Franchising, Inc. The Company is engaged in the marketing of "Zen Massage Center" franchises, which provide professional therapeutic massage and skin care services. The Company and its franchisees are located in the United States.

Cash and Cash Equivalents:

For purposes of reporting the statement of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable:

The Company extends credit to its customers in the normal course of business and performs ongoing credit evaluations of its customers. Management provides for the possible inability to collect accounts receivable by recording an allowance for doubtful accounts as presented in Note 2. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which is five years.

Trademarks:

Trademarks are initially measured based on their fair value. Trademarks are being amortized on a straight-line basis over a period of fifteen years. Trademarks are tested for impairment annually.

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

Revenue Recognition:

The Company adopted Financial Accounting Standards Board's ("FASB"), Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, on January 1, 2019 using the modified retrospective method. ASC 606 prescribes a five-step model that includes: (1) identify the contract; (2) identify the performance obligations; (3) determine the transaction prices; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) performance obligations are satisfied. Based on the manner in which the Company historically recognized revenue, the adoption of ASC 606 did not have a material impact on the amount or timing of its revenue recognition, and they recognized no cumulative effect adjustment upon adoption. The practical expedients under ASU 2021-02 aim to simplify the application about identifying performance obligations by permitting franchisors that are not public business entities to account for pre-opening services provided to a franchisee as distinct from the franchise license.

Initial Franchise Fees:

The Company adopted the practical expedient to enable recording of revenue on initial franchise fees as certain pre-opening performance obligations as set forth in the franchise agreement are completed.

Repossessed Franchises:

The Company periodically reacquires franchise agreements from franchisees. In accordance with FASB ASC 606, the consideration refunded is recorded as a reduction of revenue in the period the franchise is repossessed.

Royalties and Marketing Fees:

Royalties and marketing fees are recognized as revenue based on a percentage of the monthly gross revenues as reported by franchisees, and are accrued as the underlying franchisee revenue is earned.

Income Taxes:

The Company is a C Corporation and accounts for income taxes in accordance with FASB ASC Topic 740 "Income Taxes". Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences, operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets may not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

FASB ASC 740-10 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the balance sheet.

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

Income Taxes (continued):

It also provides guidance on derecognition, measurement and classification of amounts related to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim period disclosures and transition relating to the adoption of new accounting standards. Under FASB ASC 740-10, the recognition for uncertain tax positions should be based on a more-likely-than-not threshold that the tax position will be sustained upon audit. The tax position is measured as the largest amount of benefit that has a greater than fifty percent probability of being realized upon settlement. Management has determined that adoption of this topic has had no effect on the Company's balance sheet. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2021.

Use of Estimates in the Preparation of Financial Statements:

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

Fair Value of Financial Instruments:

The Company's financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The carrying amounts of these financial instruments approximate fair value.

The Company did not have any outstanding financial derivative instruments.

Note 2 - Accounts Receivable:

At December 31, 2024 and 2023, accounts receivable consisted of the following:

	2024	2023
Trade accounts receivable	$ 7,633	$ 3,864
Accounts receivable - related party	1,048	627
	8,681	4,491
Less: allowance for doubtful accounts	-	-
	$ 8,681	$ 4,491

As of December 31, 2024 and 2023, the accounts receivable – related party, consisted of royalty and marketing fees due in the normal course of business from franchisees owned by the Company's majority shareholder.

Note 3 - Property and Equipment:

At December 31, 2024 and 2023, property and equipment was comprised of:

	2024	2023	Estimated Useful Life
Office equipment	$ 522	$ 522	5 years
Computer equipment	15,074	15,074	5 years
Software	11,144	11,144	5 years
	26,740	26,740	
Less: accumulated depreciation	(26,740)	(26,740)	
	$ -	$ -	

For the years ended December 31, 2024 and 2023, depreciation expense was $0 and $225 respectively.

Note 4 - Trademarks:

At December 31, 2024 and 2023, trademarks was comprised of:

	2024	2023
Trademarks	$ 25,334	$ 25,334
Less: accumulated amortization	(20,076)	(19,540)
	$ 5,258	$ 5,794

For the years ended December 31, 2024 and 2023, amortization expense charged to operations was $536 and $1,371 respectively. Future amortization expense is expected to be as follows:

Year ending December 31,	
2025	$ 536
2026	536
2027	536
2028	536
2029	536
Thereafter	2,578
	$ 5,258

Note 5 - Income Taxes:

Deferred income taxes are provided in recognition of temporary differences in reporting certain revenues and expenses for financial statement and income tax purposes.

Net deferred tax assets consisted of the following components as of December 31, 2024 and 2023:

	2024	2023
Deferred tax assets		
Net operating loss carryforwards	$ 40,315	$ 40,315
Valuation allowance	(40,315)	(40,315)
	$ -	$ -

The ultimate realization of these assets is dependent upon the generation of future taxable income sufficient to offset the related loss carryforwards within the applicable carryforward period. The valuation allowance is based on the uncertainty of the Company's ability to generate sufficient taxable income in future years to fully utilize the net operating loss carryforwards.

As of December 31, 2024, the Company has net operating loss carryforwards available for federal and state income tax reporting purposes of approximately $155,933. Some of these net operating loss carryforwards begin to expire in 2028.

Note 6 - Advertising and Promotional Costs:

Advertising and promotional costs are expensed as incurred. During the years ended December 31, 2024 and 2023, the Company incurred $24,367 and $21,522, respectively, for franchisee and website expenses for advertising and promotional costs.

Note 7 - Related Party Transactions:

There was a note receivable from a stockholder with balances of $7,606 and $8,606 as of December 31, 2024 and 2023, respectively. No advances were made during the years ended December 31, 2024 and 2023. The loan agreement was amended in 2012 allowing the loan to be a line of credit in an amount up to $50,000. This shareholder was paid consulting fees of $1,000 and $1,000 for the years ended December 31, 2024 and 2023, respectively.

A second shareholder owns two franchises. Total royalty and marketing fee revenue reported for the years ended December 31, 2024 and 2023 was $38,992 and $43,451, respectively. The company paid the same shareholder rent for office space of $24,000 and $18,000 during the years ended December 31, 2024 and 2023, respectively. In addition, during the years ended December 31, 2024 and 2023, this shareholder acted as Chief Executive Officer and was paid as an employee with a salary of $150,000 and $150,000 for the years ended December 31, 2024 and 2023.

Note 8 - Subsequent Events:

The Company evaluated all events and transactions through February 21, 2025, the date these financial statements were issued. During this period, there were no material recognizable or non-recognizable subsequent events.

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EXHIBIT B
TO
FRANCHISE DISCLOSURE DOCUMENT

State Specific Addenda to Disclosure Document

See attached.

MULTI-STATE ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT (FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

This Addendum pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. For franchises sold in such states, this franchise disclosure document is amended by adding the following section at the end of Item 9:

> "No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

Addendum to the Disclosure Document
(Virginia)

This Addendum modifies and supersedes the Disclosure Document with respect to franchises offered or sold to either a resident of the State of Virginia or a non-resident who will be operating a franchise in the State of Virginia as follows:

1. In **Item 1** of the Disclosure Document, the following sentence is added at the end of the first paragraph under the Section entitled "State Disclosure Requirements":

> "Franchisor's registered agent for service of process in the State of Virginia is the Clerk of the State Corporation Commission, 1300 East Main Street, 1st Floor, Richmond, Virginia 23219."

2. In **Item 17** of the Disclosure Document, the following text is added at the end of the "Summary" section of subsection (h) of the Franchise Agreement table:

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

3. The following paragraph is hereby added as the second paragraph under **Item 23** of the Disclosure Document:

> "If Franchisor 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. However, some state franchise laws require Franchisor to provide this disclosure document to you at the first personal meeting held to discuss the franchise sale or at least 10 business 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."

4. The "Special Risks to Consider About This Franchise" page is supplemented with the following:

"**Mandatory Minimum Payments.** You must spend minimum amounts on local advertising regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from $300,540 to $367,522. This amount exceeds the franchisor's stockholders' equity as of 12/31/2024, which is $116,807."

As to any state law described in this Addendum that declares void or unenforceable any provision contained in the Franchise Agreement or the Development Agreement, Franchisor reserves the right to challenge the enforceability of the state law by, among other things, bringing an appropriate legal action or by raising the claim in a legal action or arbitration that you have initiated.

EXHIBIT C
TO
FRANCHISE DISCLOSURE DOCUMENT

Franchise Agreement

See attached.

Approved Location: ______________________

FRANCHISE AGREEMENT

between

Zen Massage Franchising, Inc.

and

____

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ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

This **Franchise Agreement** (the "**Agreement**") is made and entered into on this **____** day of **________________** 20**___** (the "**Effective Date**"), by and between **Zen Massage Franchising, Inc.**, a North Carolina corporation having its principal place of business at 19911 Zion Avenue, Ste. D-1 Cornelius, NC 28031 (the "**Franchisor**"), and the person or entity identified as the Franchisee on Exhibit A to this Agreement (the "**Franchisee**").

RECITALS:

A. Franchisor is engaged in the business of operating, and of licensing the operation by others, professional therapeutic massage and skin care centers under the service mark "Zen Massage® Center" (the "**Centers**").

B. As a result of the expenditure of time, skill, effort, and money, Franchisor has developed a unique system for the establishment, development and operation of Centers, which includes, but is not limited to, therapeutic massage and skin care services, distinctive layout design and trade dress, non-proprietary products, custom-designed website and franchisee administration; proprietary procedures for operations, quality and uniformity of therapeutic massage services offered; procedures for management, training and assistance; our brand standards (the "**Brand Standards**") and advertising and promotional programs (collectively, the "**System**").

C. Franchisor is engaged in promoting the name, reputation and goodwill of the Franchise and has created a substantial demand for its services by maintaining high standards of quality in its operations and customer service levels.

D. Franchisor identifies the System by means of certain trade names, service marks and logos, including, but not limited, to the service mark "Zen Massage® Center," and such trade names, service marks and logos as set forth on Exhibit B (all such marks, and all other trade names, service marks and logos, whether now existing or hereafter incorporated into the System, shall be collectively referred to herein as the "**Proprietary Marks**").

E. Franchisee desires to establish and operate a Center using the Proprietary Marks (the "**Franchise**") and to receive the training and other assistance provided by Franchisor in connection therewith.

F. Franchisee has had an adequate opportunity to be thoroughly advised of the provisions of this Agreement and has had sufficient time and opportunity to evaluate and investigate the System and the procedures and financial requirements associated with the obtaining and operating the Franchise, as well as the competitive market in which it will operate.

G. Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance and service and the necessity of operating the Franchise in conformity with Franchisor's standards and specifications.

THEREFORE, in consideration of the mutual promises contained in this Agreement and intending to be legally bound, the Franchisor and Franchisee agree as follows:

1. Grant of Franchise.

a. License. Upon the terms and conditions of this Agreement, including, but not limited to, the payment of the Initial Franchise Fee (as defined below), Franchisor grants to Franchisee a non-exclusive license to operate a Franchise using the Proprietary Marks and the System (the "**License**") at the Approved Location (as defined below) within the Protected Territory (as defined below). Franchisee's License shall be subject to the Franchisee's continued compliance with all terms and conditions set forth in this Agreement.

b. Reservation. Except within the Protected Territory, Franchisee has no exclusive territorial rights, protected territory or other right to exclude, control or impose conditions on the location or development of other or future Franchisor-owned businesses and franchises under the Proprietary Marks or on Franchisor's business activities. Franchisor and its affiliates may establish Centers and grant licenses to third parties for Centers outside of the Protected Territory, and Franchisee has no right to restrict or control the development of such Centers. Franchisor may offer and sell franchises and establish Franchisor-owned units that sell similar products or may allow others to sell similar products under marks other than the Proprietary Marks at any location. In addition, Franchisor reserves the right on its own or through an affiliate, or through its franchisees, to develop non-traditional locations under the Proprietary Marks, both inside and outside the Protected Territory in Reserved Locations (as defined below). A "Reserved Location" means any nontraditional site within the Protected Territory, which shall include, without limitation, an airport, arena, hospital, bus or train station, department store, stadium, school, college or university, convention center, state or national park, or military fort, post or base. Franchisor and its affiliates may also offer various services and products identified by the Proprietary Marks within the Protected Territory by mail, the Internet or other similar means of distribution.

c. Initial Franchise Fee. Franchisee shall pay Franchisor a non-recurring and non-refundable initial franchise fee of Thirty-Nine Thousand Dollars ($39,000) (the "**Initial Franchise Fee**"), which shall be paid in full on the Effective Date. The Initial Franchise Fee shall be discounted by 15% to Thirty-Three Thousand one-hundred-fifty dollars ($33,150) for active-duty military and honorably discharged veterans of the United States Armed Forces. Franchisee acknowledges that the consideration for the payment of the Initial Franchise Fee shall have been fully earned by Franchisor upon the execution of this Agreement, and, except as otherwise provided in this Agreement, in the event of any termination or cancellation of this Agreement for any reason whatsoever, Franchisor, in addition to any other rights or remedies it may have, shall be entitled to retain or receive the full Initial Franchise Fee as liquidated damages.

d. Grand Opening Advertising Program. Franchisee shall pay Franchisor a non-recurring and non-refundable sum of $10,000 which Franchisor will use to conduct a Grand Opening Advertising Program to market its Center's "Grand Opening." All of said funds will be used to conduct the Grand Opening Advertising Program, and will be spent on direct costs of materials and media in advertising and promoting the Center. See Item 11 for more information regarding the Grand Opening Advertising Program.

e. Franchisor's Reserved Rights. Except as otherwise expressly provided in this Agreement, Franchisor and all of its affiliates (and its and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all of its and their rights with respect to the Proprietary Marks and the System anywhere in the world, and the right to engage in any business whatsoever, including the right to:

i. operate, and grant to others the right to operate Centers outside the Protected Territory at such locations and on such terms and conditions as Franchisor deems appropriate;

ii. operate and grant others the right to operate other businesses, including massage businesses and/or spa businesses, under different trademarks and service marks than the Proprietary Marks;

iii. develop, merchandise, offer, sell, and license others to sell products or services under the Proprietary Marks through other channels and methods of distribution including wholesale, retail stores, grocery stores, online, print catalogues, direct marketing media and any other outlets, and promote and sell products bearing the Marks at special events, athletic contests, through temporary locations and mobile units;

iv. acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with Center located anywhere or business conducted anywhere. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions; and

v. sell itself, its assets, the Proprietary Marks, its systems and/or the System to a third party; may go public; may engage in a private placement of some or all of their securities; may merge, acquire other corporations or entities, or be acquired by another corporation or entity; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

2. Term; Renewal Rights.

a. Term. The initial term of this Agreement shall be ten (10) years, commencing on the Effective Date (the "**Term**"), unless earlier terminated in accordance with the provisions of this Agreement.

b. Renewal. Franchisee shall have the right to renew its Franchise for one additional ten (10) year term (the "**Renewal Term**"), provided the Franchisee meets the following conditions:

i. Franchisee has given Franchisor written notice of its intention to renew at least one hundred eighty (180) days prior to the end of the Term;

ii. Franchisee is not in default of any provision of this Agreement and has complied with all of the material provisions of this Agreement and with Franchisor's material operating and quality standards and procedures as set forth in the Manual (as defined below) or as otherwise described in writing by Franchisor;

iii. Franchisee maintains possession of the Franchise location and, by the expiration date of this Agreement, has brought such Franchise location and operation into full compliance with the specifications and Brand Standards applicable to Centers generally at the time of expiration of the Term (as communicated to Franchisee by Franchisor as condition of Renewal), and presents evidence satisfactory to Franchisor that it has the right to remain in possession of the Franchise location for the duration of any successor term; or, in the event Franchisee is unable to maintain possession of the Franchise location, or in the judgment of Franchisor, the Franchise should be relocated, Franchisee secures a substitute premises approved by Franchisor as provided herein and in the Manual and has furnished, stocked and equipped such premises to bring the relocated Franchise at its substitute location into full compliance with Franchisor's then current specifications and standards by the expiration date of this Agreement and prior to the opening of the Franchise at the substitute location;

iv. Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and has timely met these obligations throughout the Term;

v. Franchisee has paid a renewal fee (the "**Renewal Fee**") of Ten Thousand Dollars ($10,000) at least thirty (30) days prior to expiration of the Term;

vi. Franchisee has executed Franchisor's then-current form of Franchise Agreement (with appropriate modifications to reflect the fact that the agreement relates to the grant of a Renewal Term for the License) at least thirty (30) days prior to the expiration of the Term. Such agreement shall supersede in all respects this Agreement, the terms of which may differ from the terms of this Agreement, including, without limitation, a higher continuing

Royalty Fee (as defined below) and/or marketing or advertising fees; provided that Franchisee will be required to pay the Renewal Fee in lieu of the Initial Franchise Fee stated in the then-current form of Franchise Agreement;

vii. Franchisee has complied with Franchisor's then-current qualification and training requirements; and

viii. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees.

3. Location and Territory; Site Selection; Lease or Purchase Agreement.

a. Location. Franchisee must obtain Franchisor's approval of Franchisee's proposed location for the Franchise (the "**Approved Location**") within ninety (90) days after the Effective Date. Franchisee shall not operate any other business from the Approved Location and shall not relocate the Franchise without Franchisor's prior written consent, as further described in Section 3(e). Franchisor shall have the right to accept or reject any or all proposed sites. In accepting or rejecting a proposed site, Franchisor will consider such matters as Franchisor deems material, including, without limitation, demographic and psychographic characteristics of the proposed site, traffic patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses (including other Zen Massage Centers), the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site) and the size of premises, appearance, and other physical characteristics of the premises.

Franchisee acknowledges and agrees that approval of Franchisee's proposed location does not constitute any assurance, representation or warranty by the Franchisor of any kind that the Franchisee's Franchise at the Approved Location shall be profitable or successful. Failure of Franchisee to obtain Franchisor's approval of the proposed location for the Franchise within one hundred and eighty (180) days after the Effective Date shall constitute a default under Section 14 of this Agreement and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 14 of this Agreement.

b. Territory. Franchisee shall operate its Franchise at the Approved Location within the territory described in Exhibit A (the "**Protected Territory**"), which shall be an identified area of at least 75,000 people within a certain zip code(s) or other demarcation for so long as this Agreement is in effect for that Approved Location. Franchisee shall operate its Franchise only from one Approved Location in the Protected Territory. During the Term or Renewal Term, Franchisor shall not establish or operate, nor license any other person to establish or operate, other therapeutic massage centers from any location within the Protected Territory.

c. Site Selection. Franchisor shall furnish to Franchisee site selection guidelines, which shall be included in the Manual, and the Franchisee hereby agrees to comply with all such site selection guidelines set forth in the Manual or as otherwise may be provided in writing by Franchisor.

d. Lease or Purchase Agreement. After receiving the Franchisor's written approval of the Franchise location, the Franchisee shall either purchase the Approved Location or execute a lease for the Approved Location upon terms that have been approved in advance by the Franchisor. Franchisor's approval of the lease or purchase agreement terms in no way is a commitment of the Franchisor to fulfill the contracted obligations of the Franchisee in the execution of the lease or purchase agreement, nor is the Franchisor in any way to be inferred, written, or implied as a guarantor of the lease or of the purchased property.

i. Franchisor's approval of the lease for the Approved Location may be conditioned upon the Franchisee and the landlord executing the Addendum to Lease attached hereto as Exhibit G, or on the lease not including any provision that is inconsistent with, or interferes with the performance of any provision of this Agreement and, including provisions that: (A) reserve to the Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of this Agreement, and a provision which requires the landlord for the Approved Location to, at Franchisor's option, execute a collateral assignment of lease in a form approved by Franchisor which provides that Franchisor will be allowed to take an assignment of Franchisee's lease for the Franchise location upon any termination of Franchisee's rights under this Agreement; (B) permits the lessor of the premises to provide Franchisor with all sales and other information it may have related to the operation of the Franchise, as Franchisor may request; (C) requires the lessor concurrently to provide Franchisor with a copy of any written notice of deficiency under the lease sent to Franchisee and which grants to Franchisor, in its sole discretion, the right (but not the obligation) to cure any deficiency under the lease, should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default; (D) gives Franchisor, or its designee, the option, upon default, expiration or termination of this Agreement, and upon written notice to the lessor, to assume all of Franchisee's rights under the lease terms, including the right to assign or sublease; (E) evidences the right of Franchisee to display the Proprietary Marks in accordance with the specifications required by the Manual, subject to the provisions of applicable law; and (F) the premises shall be used only for the operation of the Franchise. The Franchisee agrees not to assign, renew or extend the lease without the consent of Franchisor, and shall not modify the lease to change the rights referenced herein above. Franchisee shall provide Franchisor with a fully executed copy of Franchisee's lease agreement within ten (10) days after execution.

ii. In the event of termination of this Agreement for cause, at the request of Franchisor, if Franchisee owns or purchases the Franchise location, Franchisee shall enter into a lease with Franchisor for a term of years equal to the remaining term of the Franchise Agreement, if said Agreement had not been terminated, and at market rent for similar facilities.

e. Relocation. In the event that Franchisee elects to relocate its Franchise within the Protected Territory, Franchisee shall notify Franchisor of the new proposed location ninety (90) days prior to the expiration of the then-current lease. Franchisee shall submit to Franchisor a copy of the site plan of the new location and such other information or materials as Franchisor may reasonably require. Franchisor shall have ten (10) business days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, and in writing, the proposed site as the location for the Franchise. If Franchisor approves of the relocation, Franchisee shall pay Franchisor a Relocation Fee of $5,000 to pay for the costs of promoting the Center at its new location, plus any costs ZMFI incurs reviewing the proposed location, site plan or other information, including, but not limited to, expenses incurred to travel to the area of Protected Territory to evaluate the proposed new location.

4. Training and Commencement of Business.

a. Initial Training and On-Site Training. At least four (4) weeks prior to opening the Franchise for business, Franchisee or, if Franchisee is a corporation, limited liability company or partnership, the principal(s) or owner(s) of Franchisee designated to supervise the operation of the Franchise (the "Managing Owners" if more than one and each a "Managing Owner") and/or the Designated Managers (as defined below) shall attend and successfully complete, to Franchisor's satisfaction, a five-day training program providing instruction on the System and Franchisor's other methods, policies and procedures (the "**Initial Training**"). The Initial Training shall be provided to up to four individuals and shall be conducted at 19911 Zion Ave., Suite D1, Cornelius, NC 28031, or at such other location as may be designated by Franchisor. The cost of instruction and required materials for Initial Training of up to four individuals shall be borne by Franchisor, and all other costs associated with the Initial Training, including costs of transportation, lodging and meals, shall be borne by Franchisee. Franchisor shall also provide three (3) days of on-site training to Franchisee, its principal(s) or owner(s) and/or its Designated Managers, at approximately the time of the initial Center's opening. If Franchisee requests additional on-site training, and Franchisor is able to provide such additional on-site training, Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise as set forth in writing by Franchisor.

b. On-Going Assistance. Franchisor may provide ongoing training as it may, from time to time, deem appropriate. Franchisor may, from time to time, furnish Franchisee such business information and literature as Franchisor determines may be helpful in improving the operations of the Franchise. Franchisor shall advise Franchisee of new developments and improvements in the System and offer to Franchisee services, facilities, rights and privileges substantially similar to those generally offered to other franchisees in the System.

c. Development of Franchise Premises. Franchisor shall make available, at no charge to Franchisee, prototype architectural plans and specifications for the construction of a Center, for the exterior and interior design and layout, fixtures, furnishings, equipment and signs. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Center. Compliance with all laws, codes and regulations shall be Franchisee's responsibility and at Franchisee's expense. Franchisee must adapt, at Franchisee's expense, the standard specifications to the Approved Location, subject to Franchisor's approval, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype architectural plans and specifications as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype architectural plans and specifications for the Center developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee, without Franchisee's agreement).

d. Commencement of Business. Franchisee shall commence the operation of its Franchise within nine months from the Effective Date (the "**Opening Date**"). Failure by Franchisee to open the Franchise within nine months from the Effective Date shall constitute a default under Section 14 of this Agreement and Franchisor, in its sole discretion, may terminate the Franchise Agreement pursuant to the terms of Section 14 of this Agreement.

5. Obligations of Franchisor.

a. Brand Standards Manual. The Brand Standards Manual consists of one or more manuals, policies and procedures, guides, and other written or electronic materials which Franchisor may periodically provide or modify (collectively, "**Brand Standards Manual**", or "The Manual"). The Manual states our specifications, Brand Standards, and guidelines for all products and services Franchisor requires Franchisee to obtain in establishing and operating Franchisee's Center, and approved and designated vendors for these products and services. Franchisor will notify Franchisee of new or modified specifications, standards, and guidelines through periodic amendments or supplements to the Brand Standards Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). The inclusion of new or supplemental specifications may require Franchisee to incur costs to implement or meet the specifications. Subject to confidentiality provisions of this Agreement, Franchisor shall loan to Franchisee one copy of Franchisor's Brand Standards Manual for the purpose of providing guidance in the methods, and techniques of operating a Center and providing professional therapeutic massage and skin care services. Franchisee hereby acknowledges that the Manual constitutes a Trade Secret (as defined below).

b. Consulting. At Franchisee's request, Franchisor may advise and consult with Franchisee by telephone during normal business hours on all technical, marketing and operational matters of the Franchise, subject to availability of Franchisor's service representatives.

c. Training and On-Going Assistance. Franchisor shall provide a training program concerning the System and the operation of the Franchise and will provide on-going assistance as described in Section 4 of this Agreement.

d. Promote Goodwill. Franchisor shall continue to develop, promote and protect the goodwill and reputation associated with the Proprietary Marks and other aspects of the System.

e. Marketing and Promotion. Franchisor shall review and shall have the right to approve or disapprove all marketing, advertising and promotional materials that Franchisee proposes to use pursuant to Section 8 below. Franchisor shall administer the Brand Development Fund (as defined below) in the manner set forth in Section 8. Franchisor also shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as defined below) in the manner set forth in Section 8.

f. Computer System. Franchisor shall make available to Franchisee the customized Mindbody software package. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, computer software and hardware shall be used by Franchisor, Franchisee and other Centers, including without limitation: (i) Franchisor's management system; (ii) printers and other peripheral devices; (iii) archival back-up systems; and (iv) internet access mode and speed (collectively, the "**Computer System**"). Franchisor will not be liable to Franchisee for any interruption of the Center's business due to a malfunction or problem with the Mindbody software package, any other software provided by Franchisor to Franchisee or the Computer System.

g. Company Website. Franchisor shall program the Center's website (currently, www.zenmassageusa.com) (the "Website") to include Franchisee's location, contact, and other information.

h. Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

6. Royalty Fees; Sales Reporting; Payments.

a. Royalty Fees. For each Accounting Period (as defined below) during the Term of this Agreement, Franchisee shall pay to Franchisor royalty fees ("**Royalty Fees**") in the amount of five percent (5%) of Gross Weekly Receipts (as defined below) for each Accounting Period following the Opening Date. Royalty Fees will be based on straight actual calculation. Franchisee shall provide to Franchisor for each Accounting Period, in writing (which may be delivered electronically), a report of its Gross Weekly Receipts (a "**Receipts Report**") for the immediately preceding Accounting Period. ZMFI may waive the requirement that Franchisee submit a Receipts Report if the information included in the Receipts Report can be obtained from the Center's software system.

b. Definitions Applicable to Fees.

As used in this Agreement, the following terms shall have the following meanings:

i. The term "**Gross Weekly Receipts**" means all revenue from all massage therapy fees, all merchandise and products, and all other services or products offered at or from the Center, including gift cards, and all other income of every kind and nature related to, derived from, or originating from your Zen Massage Center, including, but not limited to, cash sales, credit sales and bartered sales, but excluding sales taxes or other taxes collected by you for transmittal to the appropriate taxing authority, tips collected by you or your independent contractors and income received from the redemption of gift cards.

ii. The term "**Accounting Period**" shall mean a one (1) week period beginning on a Monday and ending on the Sunday following that Monday. The first Accounting Period shall also include any days from and including the Opening Date through the one (1) week period beginning on the first Monday following the Opening Date.

c. Payments. All payments required by Section 6(a) above and Section 8 below based on the Gross Weekly Receipts for the preceding Accounting Period, and the Receipts Report required by Section 6(a) for the Gross Weekly Receipts for the preceding Accounting Period, shall be paid and submitted so as to be received by Franchisor by the fifth (5th) business day of the week following each Accounting Period. If requested by Franchisor, Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 6 or 8, and Franchisee shall execute Franchisor's current form of "Authorization Agreement for Pre-Arranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D. Franchisee shall comply with all other payment and reporting procedures specified by Franchisor in the Manual.

d. No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the Royalty Fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

e. Overdue Payments. Any payment or report not actually received by Franchisor (or the Brand Fund) on or before its due date shall be deemed overdue. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

f. Payments on behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

7. Obligations of Franchisee.

No obligation, agreement, option, license, acknowledgment, or permission (individually or collectively) contained in this Section 7 or any other section of this Agreement shall be construed to establish an agency relationship between the parties of this Agreement.

The Proprietary Marks and System licensed to Franchisee represent valuable goodwill distinctive of Franchisor's business and reputation. Franchisor will periodically develop uniform standards of quality and service regarding the business operations of the Centers so as to protect (for the benefit of all franchisees and Franchisor) the distinction, valuable goodwill and uniformity represented and symbolized by the Proprietary Marks and the System. To insure that all franchisees will maintain the uniform requirements and quality standards for goods and services associated with the Proprietary Marks and System, Franchisee will maintain the uniformity and quality standards Franchisor reasonably requires for all products and services and agrees to the following provisions:

a. Managerial Responsibility – During the Term and any Renewal Term of this Agreement, the parties who have signed this Agreement for Franchisee will personally manage and operate the Franchise and will not, without Franchisor's prior written consent, delegate Franchisee's authority and responsibility with respect to management and operation, except to a Designated Manager consistent with the terms and limitations set out below. If multiple parties have signed this Agreement for Franchisee, Franchisee will designate a Managing Owner. The Managing Owner must be present during the hours of operation of the Franchise, unless Franchisee has delegated day-to-day operation of the Center to a Designated Manager. The Managing Owner will be Franchisor's primary point of contact with Franchisee, and Franchisor will be able to rely on the decisions and representations made by the Managing Owner as the decisions and representations of Franchisee. Franchisee must inform Franchisor of the identity of all Managing Owners throughout the term of this Agreement.

With Franchisor's prior written approval, Franchisee may delegate the day-to-day operation of the Center to a Designated Manager or Designated Managers. "**Designated Manager**" means an individual appointed by Franchisee (or its principals or owners, if an entity) to supervise the day-to-day operations of the Franchise. Before Franchisor will approve of Franchisee designated a Designated Manager, the Designated Manager shall have successfully completed the Initial Training as described in Section 4(a) and shall have executed a non-disclosure and non-compete agreement substantially in the form set forth in Exhibit F. If Franchisee delegates day-to-day operation of the Center to a Designated Manager or Designated Managers, a Designated Manager must be present during the hours of operation of the Center. Franchisee is required to carefully monitor and be responsible for the performance of anyone designated to manage the operation of the Center and, remains solely responsible for ensuring that the Center is operated consistent with, and in compliance with, this Agreement and the Manual.

b. Development of the Franchise Premises – Franchisee shall construct, furnish and open the Franchise premises according to the requirements of the architectural plans and specifications set forth by the Franchisor, which initially shall be set forth in the Manual, and in accordance with Section 4(c) of this Agreement.

c. Pre-Opening Obligations. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the Grand Opening Advertising Program), the Manual, and/or elsewhere in writing by Franchisor and with all local, state, and federal codes, laws, taxes and regulations; Franchisee and/or its Managing Owner and Designated Manager(s) will attend and complete the training as described in Section 4 to Franchisor's satisfaction; and, Franchisee shall execute and deliver to Franchisor an ADA Certification in the form set forth in Exhibit E, if Franchisee elects to operate the Franchise from commercial office/retail space, to certify to Franchisor that the Franchise premises comply with the ADA.

d. Signage. If Franchisee elects to operate the Franchise from commercial office/retail space, Franchisee will erect exterior and interior signs of such size, design, and construction as Franchisor may direct, unless the terms of the lease or purchase agreement (as previously approved by Franchisor) or other rules and regulations of such commercial space prohibit or limit the signage used. No other signs will be erected or utilized in connection with the Franchise unless approved or directed by the Franchisor.

e. Inspections. Upon reasonable notice, Franchisee shall permit Franchisor during Franchisee's business hours to inspect the Center, including Franchisee's office, confer with Franchisee and Franchisee's employees, contractors, agents, suppliers, and customers, check methods, books, records, computer data, evaluate the services rendered therein in any way Franchisor deems appropriate, and to perform any other inspection including copying of documents and computer data deemed by Franchisor to be necessary to protect the standards of quality and uniformity of the Center and Franchisee's performance under this Agreement. If Franchisor requests, Franchisee will present to its customers such evaluation or survey forms as Franchisor may periodically prescribe and will participate and/or request Franchisee's customers to participate in any marketing surveys performed by or on our behalf. Franchisee must pay any and all fees associated with its participation in this program or any other customer survey program. Franchisee agrees and acknowledges that Franchisor may, without first contacting Franchisee, survey or contact Franchisee's customers, or conduct a "mystery shopper" program to help determine compliance with this Agreement, and that Franchisor may charge a reasonable fee intended to off-set the expenses Franchisor incurs in executing on such contacts or such program. Further, if Franchisee receives a complaint from a customer which cannot be resolved within 5 business days, Franchisee will promptly notify Franchisor. Franchisee agrees that Franchisor will have the right to intervene in and resolve any unresolved customer complaints, including those uncovered during its surveys or customer contacts described above, and Franchisee agrees to be bound by any decision made by Franchisor, regarding a resolution of any such complaints, at Franchisee's sole expense.

f. Products and Services. Franchisee will sell only those products and services Franchisor designates, or otherwise approves in writing, and will offer for sale all products and services Franchisor directs. If there are costs associated with the addition of a product and/or service Franchisee will be required to cover those costs. Franchisee may offer other products or services other than those directed by Franchisor in the Manual only with the written consent and approval of the Franchisor. Franchisee will conform to all quality standards Franchisor directs in writing.

g. Payment of Liabilities. Franchisee will timely pay all of its obligations and liabilities due and payable to Franchisor, suppliers, lessors, and creditors.

h. Taxes. Franchisee will promptly pay all federal, state and local taxes arising out of the operation of the Franchise. Franchisor will not be liable for these or any other taxes, and Franchisee will indemnify Franchisor for any such taxes that may be assessed or levied against Franchisor which arise or result from the operation of the Franchise.

i. Standardization. Franchisee will comply with, and incur the costs for, such programs of standardization as Franchisor may periodically develop to promote the common business image and to protect the goodwill associated with the Proprietary Marks and System. Franchisee must also participate in, at its own cost, all system-wide promotions and advertising campaigns created by Franchisor or is designees.

j. Hours of Operation. Franchisee's Franchise will be open for business for such days and hours as Franchisor may reasonably designate in the Manual, unless it receives express written permission from Franchisor to be open on different days and/or for different hours.

k. Brand Standards Manual. In order to protect the reputation and goodwill of Franchisor and to maintain uniform operating standards under the Proprietary Marks and the System, Franchisee will conduct its business in accordance with the Manual. Franchisee will treat the Manual as confidential, and will use all reasonable efforts to maintain the Manual as secret and confidential. The Manual will remain Franchisor's sole property. Franchisor may periodically revise the contents of the Manual in any form. Franchisee agrees to comply with each new or changed standard. Franchisee will insure that its copy of the Manual is kept current. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual that Franchisor maintains will be controlling;

l. Equipment and Computer System. Franchisee shall, at Franchisee's expense, purchase or lease and install at the Center all furniture, fixtures, equipment ("FF&E"), hardware and software systems, including point of sale systems, mobile devices, data, audio, video, and voice storage, retrieval and transmission, security, and other systems and technology programs specified by Franchisor. Without regard to the actual capabilities of any technology, system or other computer hardware or software that Franchisee installs and that Franchisor has access to directly or indirectly, Franchisor does not have the right to use such technology or tools to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to Franchisor's legitimate interest in protecting the quality of the System or the products or services offered at the Location. Upon request, Franchisee will provide Franchisor independent access at any time, or on a continuous basis, to retrieve such data and information from Franchisee's Computer System that Franchisor deems necessary or desirable. Franchisee shall refrain from installing at the Location, or permitting to be installed, without Franchisor's prior written consent, any FF&E or any other items or services not previously approved by Franchisor. Notwithstanding the foregoing, Franchisor does not have the right to direct or assert control over Franchisee's employees' working conditions, except to the extent the control relates to Franchisor's legitimate interest in protecting the quality of the System or the products or services offered by the Franchised Business.

Franchisor shall provide specifications to Franchisee for the Computer System to be used at the Franchise. Franchisee will pay an initial $200 per month licensing fee for the Mindbody software. Franchisee shall be required to upgrade or modify the Computer System according to the specifications designated by Franchisor within sixty (60) days of written notification by Franchisor. Franchisor has no obligation to reimburse Franchisee for any Computer System costs. Franchisee understands that the software fee may increase from time to time. Franchisee understands and agrees that all information pertaining to clients of the Center is owned by the Franchisor. Franchisor will have access to all information contained in Franchisee's Computer System, and Franchisor shall have the right at any time to retrieve and use data and information from Franchisee's Computer System that Franchisor deems necessary or desirable.

m. General Operation. Franchisee will operate the Franchise exclusively under the Proprietary Marks and in accordance with our Brand Standards, operating procedures, specifications, requirements and instructions established by Franchisor in the Manual or otherwise specified in writing by Franchisor.

n. Compliance with Laws. Franchisee shall comply at all times with all federal, state, county, city and other local laws, regulations and ordinances;

o. Equipment. Franchisee shall maintain at all times (except when fire or other casualty so prevents) sufficient equipment to operate the Franchise at maximum capacity and efficiency.

p. Reports. Franchisee shall submit to Franchisor Receipt Reports in accordance with Section 6(b) of this Agreement and shall deliver to Franchisor any and all other reports, statements and/or other information required at the time and in the format reasonably requested by Franchisor. Procedures and other information relating to the preparation of reports will be provided in Initial Training and in the Manual.

q. Record Keeping. Franchisee shall maintain a system of bookkeeping and record keeping approved by Franchisor, keep complete and accurate books and records at the Franchise address at all times, in the manner and form specified by Franchisor in the Manual, and make them available during business hours or by electronic means to authorized representatives of Franchisor. Franchisee shall also participate in any "franchisee financial system" established by Franchisor using financial accounting software or vendor approved by Franchisor, and allow Franchisor to access all such data by direct, secure means through the financial accounting software approved by Franchisor, or any third-party business system approved by Franchisor. Franchisor will be given direct, administrative access to the franchisee financial system used by Franchisee for the purpose of determining compliance with this Agreement and to allow for audits and inspections of Franchisee's financial statements, reports and all other data pertaining to the Location, whether maintained by Franchisee or by third parties.

r. Suppliers. All other products, services, supplies, equipment, materials, printed materials and other products used or offered for sale at the Center must be purchased from suppliers designated by Franchisor, a list of which approved suppliers is included in the Manual and which may include Franchisor as a designated or exclusive supplier, or, if Franchisor has not designated a supplier for a particular item or service, consistent with the criteria established by Franchisor. Franchisee may request that a supplier be approved by Franchisor by submitting the request to Franchisor in writing. In determining whether Franchisor will approve any particular supplier, Franchisor shall consider various factors, including whether the proposed supplier can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for these items; whether the proposed supplier possesses adequate quality controls and capacity to supply Franchisor's and the System's needs promptly and reliably; and whether the proposed supplier would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies. Franchisor retains the right to designate only one manufacturer, distributor, reseller, and/or other vendor for any particular item or service.

If Franchisee desires to use, or sell, any item or service at the Center that Franchisor has not approved, Franchisee first must send to Franchisor sufficient information, specifications, and samples so Franchisor can determine whether the item or service complies with the System standards and/or the supplier meets approved supplier criteria. Franchisor will provide approval of a proposed supplier within 30 days after receiving all information about the product that it requires.

s. <u>Promotional Materials</u>. Franchisee shall require all marketing, advertising and promotional materials, signs, and decorations to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location and manner then prescribed by Franchisor.

t. <u>Guarantee</u>. If Franchisee is an entity, the following requirements shall apply:

i. Franchisee shall furnish to Franchisor a complete and accurate list of all of the Equity Owners (as defined below) of Franchisee; and

ii. Franchisee shall cause each individual owning capital stock, securities or other interests (referred to herein as "**equity interests**") in the Franchisee (each, an "**Equity Owner**") and each Equity Owner's spouse, if any, to guarantee Franchisee's performance hereunder and to perform and discharge certain obligations under this Agreement by entering into the Guarantee, Indemnification and Acknowledgment attached hereto as <u>Exhibit C</u>. Franchisee hereby represents that the Equity Owners are the only persons that hold equity interests in Franchisee.

u. <u>Privacy and Data Protection</u>. Franchisee must: (i) comply with all applicable international, national, federal, provincial, state, or local laws, codes or regulations that regulate the processing of information that can be used (alone or when used in combination with other information Franchisee controls) to identify, locate or contact an individual, or pertains in any way to an identified or identifiable individual (**"Personal Information"**) in any way, including, but not limited to, national data protection laws, laws regulating marketing communications and/or electronic communications, information security regulations and security breach notification rules (**"Privacy Laws"**); (ii) comply with all standards, specifications, requirements, criteria, and policies that have been and are in the future developed and compiled by Franchisor that relate to Privacy Laws and the privacy and security of Personal Information; (iii) refrain from any action or inaction that could cause Franchisor to breach any Privacy Laws; (iv) do and execute, or arrange to be done and executed, each act, document and thing Franchisor deems necessary in our business judgment to keep Franchisee in compliance with the Privacy Laws; and (v) immediately report to Franchisor the theft or loss of Personal Information (other than the Personal

Information of Franchisee's own officers, directors, owners, employees or service providers).

v. Credit Cards and Other Non-Cash Systems. Franchisee shall accept debit cards, credit cards, stored value gift cards or other non-cash systems specified by Franchisor to enable customers to purchase authorized products and services and shall obtain all necessary hardware and/or software used in connection with these non-cash systems. At all times, Franchisee must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-fund-transfer systems that Franchisor designates as mandatory, and Franchisee must not use any such services or providers that Franchisor has not approved in writing or for which Franchisor has revoked its approval. Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider. Franchisee must comply with Franchisor's credit-card policies as prescribed in the Manual. Franchisee must comply with the Payment Card Industry ("PCI") Data Security Standards as these standards may be revised and modified by the Payment Card Industry Security Standards Council or such successor or replacement organization, and/or in accordance with other standards as Franchisor may specify.

w. Gift Cards and Loyalty Programs. Franchisor may require that Franchisee, if permitted by applicable law, participate in a gift card or other customer loyalty program in accordance with the provisions either set forth in the Manual or otherwise disclosed to Franchisee. In order to participate, Franchisee may be required to purchase additional equipment and pay any fees applicable to the use of that equipment. If Franchisor establishes a gift card or loyalty program, it has the right to determine how the amount of the gift cards or loyalty cards will be divided or otherwise accounted for, and Franchisor reserves the right to retain the amount of any unredeemed gift cards.

8. Marketing.

Recognizing the value of marketing and advertising, and the importance of the standardization of marketing and advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

a. Brand Development Fee. For each Accounting Period during the Term of this Agreement, Franchisee shall make a contribution (the "**Brand Fee**") to Franchisor's system-wide marketing and advertising fund (the "**Brand Fund**") in the amount of up to five-percent (5%) of Gross Weekly Receipts for the immediately preceding Accounting Period. Currently, the Brand Fee is two-percent (2%) of Gross Weekly Receipt, but Franchisor has the right to increase it to any amount not to exceed five-percent (5%) upon giving written notice to Franchisee. The Marketing Fee shall be paid by Franchisee in the manner required under Section 6 above.

b. Brand Fund. The Brand Fund shall not be used for general operating expenses of Franchisor, but shall be used and expended for costs of maintaining, administering, directing, conducting, preparing, and publishing (by any means) advertising, marketing, research, public relations and promotional programs and materials, and any other activities that Franchisor believes will enhance the image of the System.

c. Advertising Decisions. All decisions regarding whether to utilize national, regional, or local advertising, or some combination thereof, and all decisions regarding selecting of the particular media and advertising content, shall be within the sole discretion of Franchisor and such agencies or others as it may appoint.

d. Local Advertising. Franchisee shall be required to spend a minimum of $650 per month, on average, on local advertising. This monthly advertising minimum includes all mediums of advertising, except advertising in yellow pages. Within fifteen (15) days following the end of each calendar quarter, Franchisee must provide to Franchisor the Franchise's local advertising expenditures during the preceding calendar quarter. If Franchisee does not spend the minimum amount required, Franchisee must remit to Franchisor the balance of the funds Franchisee should have spent when Franchisee filed the report. Franchisor will then use those funds for local advertising in Franchisee's Protected Territory. Franchisee is not permitted to own a website on the world-wide web that displays the words "Zen Massage® Center" or any combination or variation thereof or uses any Proprietary Marks.

e. Website and Online Presence. Franchisor has established the Website that provides information about the System. Franchisor will have sole discretion and control over the Website and any other Online Presence (including timing, design, function, contents and continuation). **"Online Presence"** means the Website, other websites, social media accounts, blogs, vlogs, mobile applications, or other media or online presence (in any form and in any medium now existing or later developed), including, but not limited to, any individual franchisee online presence as permitted or required by Franchisor. The Online Presence may be modified by Franchisor from time to time. Franchisor may use part of the Brand Fees collected under Section 8.a. to pay or reimburse the costs associated with the development, maintenance and update of the Website or other Online Presence. At Franchisee's expense, Franchisor will include a link to the Location-specific pages from its Websites. Franchisor shall have the only Website utilizing the Proprietary Marks, and/or referencing any Center. Franchisee may not have any individual website other than those accessed and linked through Franchisor's primary Website with Franchisor's permission. Franchisor may require Franchisee to prepare all or a portion of such individual pages, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's prior written approval prior to posting. Except for this interior page, Franchisee may not maintain any Online Presence or other website in connection with Franchisee's ownership or operation of the Location, including accounts with, pages on, or profiles on social media sites or platforms such as, but not including, Facebook, Twitter, Instagram, TikTok or others, without Franchisor's approval, or as required by Franchisor. If the Franchisee is permitted or required to have an individual Online Presence, Franchisee must provide Franchisor with administrator-level access credentials, usernames, passwords, tokens and all other information and items required for complete access to, and control over, any online presence or social networking activities. If Franchisee fails to comply with the requirements set for Online Presence, Franchisor, or its designees may use the access credentials to access Franchisee's accounts and resources to correct them to comply with Franchisor's requirements, without being guilty of trespass, conversion, infringement, or any similar tort. Franchisee will pay Franchisor, upon demand, all charges Franchisor incurs by taking such corrective action. Franchisor may offer appointments, online and mobile ordering, mobile payments and similar services or sales of items bearing the Proprietary Marks through its Website and Online Presence, and may restrict appointments, online ordering, and similar services to its Website and Online Presence, and the Online Presence of third parties designated by Franchisor.

f. Inappropriate Online Presence or Content. Franchisor reserves the right to require Franchisee to remove any content in its permitted individual Online Presence, including videos, advertising or other material or content posted that Franchisor, in its sole discretion, deems inappropriate. Franchisor reserves the right to develop additional profiles or accounts in its Online Presence on websites designated for social networking, social media sites, or on websites otherwise commonly used by spas and massage centers, or by the franchise industry in general. Franchisor may, in its sole discretion, require Franchisee to participate in its Online Presence in Franchisee's individual capacity by preparing and maintaining all or a portion of a profile or account for the Franchisee, at Franchisee's expense.

g. Approvals. Other than the materials available from the Franchisor, Franchisee shall not use, display, publish, broadcast, or in any manner disseminate any advertising or promotional material unless the same has been first approved in writing by Franchisor. In the event that Franchisor from time to time furnishes to Franchisee any advertising, promotional or informational materials to be used, displayed, or distributed in or about the Franchise premises, Franchisee agrees to follow the instructions of Franchisor in connection therewith. If Franchisor revokes approval of materials previously approved, Franchisee shall immediately, or within the timeline established by Franchisor, stop using, displaying, publishing, broadcasting or in any manner disseminating the materials.

h. Grand Opening Advertising Program. In addition to and not in lieu of the Brand Development Fee and Local Advertising requirement, Franchisee shall expend a minimum of ten-thousand dollars ($10,000) for grand opening advertising and promotional programs in conjunction with the Franchise's grand pursuant to a Grand Opening Advertising Program developed by Franchisor along with Franchisee, and funded by the Grand Opening Advertising Program Fee paid by Franchisee upon execution of this Agreement.

i. Local or Regional Advertising Cooperative Advertising. Throughout the Term of this Agreement, Franchisor has the right to require Franchisee to spend at least two percent (2%) of its Gross Weekly Receipts monthly on such local marketing and advertising in the Protected Territory. Franchisor may from time to time specify in the Manual the types of expenses that will be counted towards the required minimum spend and set reporting requirements for the local marketing and advertising requirement. Notwithstanding the foregoing, if Franchisee contributes funds towards an Advertising Cooperative (as defined below), such funds actually contributed to the Advertising Cooperative will offset the local advertising expenditures required by this Article for the same time period as for which the Advertising Cooperative contributions were made.

j. Advertising Cooperative. Franchisor has the right to establish, maintain, and terminate, local and regional advertising cooperatives for geographic areas (each an **"Advertising Cooperative"**). Each Advertising Cooperative will use the funds it receives only for the purposes set forth in this Agreement and shall operate pursuant to policies and procedures Franchisor establishes. All Centers in the geographic area of the Advertising Cooperative will participate in the Advertising Cooperatives on the same basis. Franchisor will provide Franchisee written notice of the establishment of any Advertising Cooperative for the geographic area that the Center is located in, if and when an Advertising Cooperative for the geographic area is established. Franchisee may be required to contribute up to two percent (2%) of its Gross Weekly Receipts to the Advertising Cooperative. Franchisee will make those contributions either to Franchisor or directly to Franchisee's Advertising Cooperative, as Franchisor directs from time to time.

k. Product Pricing, Discounts and Promotional Programs. Franchisor and Franchisee recognize the value of pricing and marketing programs that facilitate the marketing of the System, the good will, reputation, and uniformity of the System and consumer acceptance and recognition of the Centers. Franchisee and Franchisor agree that, in order to better accomplish these objectives, Franchisor may from time to time in its sole judgment (a) require that the prices for the services offered at the Franchise start at levels no higher than those determined by Franchisor and (b) otherwise establish rates, prices, and promotions to the extent permitted by applicable law. To the extent permitted by law, Franchisor may require participation in promotional programs, including programs offering coupons, discounts, gift cards, gift certificates, loyalty programs, and similar promotions. Unless expressly permitted by Franchisor, Franchisee will not offer such promotional programs. All phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement, and choice of media, market areas, promotional programs and advertising agencies, shall be determined by Franchisor.

9. Insurance.

a. Franchisee shall procure at its expense and maintain in full force and effect during the term of this Agreement an insurance policy, or policies, protecting Franchisee and Franchisor, and their officers, directors, partners, and employees, against any loss, liability, or expense whatsoever arising or occurring upon or in connection with the Franchise, as Franchisor may reasonably require for its own and Franchisee's protection. Franchisor shall be named an additional insured in all such policy or policies (Workman's Compensation excepted). Such policies shall be secured by the Franchisee before commencement of business by Franchisee. Proof of such insurance must be provided to Franchisor prior to opening or build out by Franchisee.

Such policy or policies shall be written by an insurance company satisfactory to Franchisor, in accordance with standards and specifications set forth in the Manual or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified for all franchisees from time to by Franchisor in the Manual or otherwise in writing), the following:

i. <u>Workman's Compensation Insurance and Employer's Liability Insurance</u> for a minimum limit of One Million Dollars ($1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Franchise is located.

ii. <u>Comprehensive General Liability Insurance</u>, <u>Professional Liability, and Automobile Liability</u> coverage for vehicles, all with minimum limits of one million dollars ($1,000,000) per person, one million dollars ($1,000,000) property damage, and two million dollars ($2,000,000) aggregate per occurrence.

iii. <u>Business Interruption Coverage</u>.

iv. <u>Property Insurance</u> providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake.

v. <u>Such additional insurance</u> as may be required by the terms of any lease for the Franchise or leased equipment.

vi. <u>Any other insurance coverage</u> that is required by federal, state, or municipal law.

b. Franchisee shall furnish Franchisor, any other named insured, and all other persons designated by Franchisor, certificates issued by each of Franchisee's insurers indicating that all required insurance is in full force and effect and will not be terminated or changed without at least thirty (30) days prior written notice from the insurer to each certificate holder. New certificates evidencing renewal of such insurance shall be furnished at least thirty (30) days prior to the date of expiration of each such policy. Within five (5) days of any request by Franchisor, Franchisee shall deliver the original of all such insurance policies to Franchisor for examination.

c. If Franchisee fails to obtain or maintain any insurance policy continuing all the coverage, clauses and provisions required under this Section 9, Franchisor may, at its election, obtain and maintain said insurance for and in the name of Franchisee. Within fifteen (15) days of any written request of Franchisor, Franchisee shall furnish all information necessary to obtain and maintain such insurance and shall pay all costs thereof.

d. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to Franchisor in the manner provided in Section 19 below.

10. Proprietary Marks and Trade Secrets; Confidentiality.

a. Ownership of Proprietary Marks. Franchisee hereby acknowledges that Franchisor is the owner of all right, title and interest in the Proprietary Marks and that Franchisee's right to use the Proprietary Marks is derived solely from this Agreement and is limited to the conduct of the business by Franchisee under the terms of this Agreement. Franchisee agrees to use the Proprietary Marks in full compliance with specifications prescribed from time to time by Franchisor and that all such usage and the goodwill established from the use of the Proprietary Marks shall inure to the exclusive benefit of Franchisor.

b. Indemnification of Franchisee for Use of Proprietary Marks. Franchisor shall defend or indemnify Franchisee if a claim, suit or demand against Franchisee arises out of or relates to Franchisee's use of the Proprietary Marks only if Franchisee has used the Proprietary Marks in accordance with the terms of the Franchise Agreement, provides immediate notice to Franchisor of the claim, suit, or demand, and allows Franchisor, at Franchisor's sole discretion, to control the defense of any such claim, suit, or demand.

c. Franchisee's Representations Relating to Proprietary Marks. Franchisee represents and warrants that:

i. It will not contest, directly or indirectly, Franchisor's ownership, title, right or interest in the Proprietary Marks, trade secrets, methods, procedures, and techniques of the Centers or contest Franchisor's sole right to register, use and award franchises to others to use such Proprietary Marks, trade secrets, methods, procedures and techniques and any other mark or name which incorporates the phrase "Zen Massage®".

ii. Franchisee will not use or register, or attempt to use or register, as its corporate identity the Zen Massage® name or any variation of such name or use the Proprietary Marks other than in connection with the operation of the Franchise.

iii. Franchisee shall not make any changes or substitutions whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing. Franchisor reserves the right to change the Proprietary Marks at any time.

Upon receiving written notice from Franchisor, Franchisee must, at its expense, immediately make such changes and use such substitutions to the Proprietary Marks as Franchisor may require.

iv. Franchisee shall identify itself as the owner of the Franchise in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as Franchisor may designate in writing. Franchisee must hold itself out to the public as an independent contractor operating the Franchise pursuant to a license from Franchisor.

d. Non-Disclosure Covenant. Franchisee acknowledges it may be exposed to certain Confidential Information (as defined below) and Trade Secrets (as defined below) of Franchisor during the Term of this Agreement, and that Franchisee's unauthorized use or disclosure of such information or data could cause immediate and irreparable harm to Franchisor. Accordingly, except to the extent that it is necessary to use such information or data to perform his or her express obligations under this Agreement, Franchisee shall not (and shall take diligent measures to ensure that none of its employees or other personnel shall), without the express prior written consent of Franchisor, publish, disclose, transfer, release or divulge to any other person or entity, or use or modify for use, directly or indirectly, in any way for any person or entity:

i. Any of the Confidential Information during the Term of this Agreement and for a period of two (2) years after the termination of this Agreement; and

ii. Any of the Trade Secrets at any time during which such information shall constitute a Trade Secret before or after termination of this Agreement. Franchisee, its owners and the guarantors acknowledge and agree that Franchisor's Trade Secrets include, but are not limited to: product marketing and promotional techniques and plans; financial data and plans; any components of the System that fall within the definition of a Trade Secret; and any data or information contained in any guides, manuals, or information that may be provided by Franchisor from time to time.

e. Franchisee's Employees. Franchisee may disclose the Proprietary Information only to such of its employees, agents and representatives as must have access to it in order to operate the Franchise. Franchisee shall obtain from each such employee, representative or agent a non-disclosure agreement in form and substance reasonably satisfactory to Franchisor.

f. Definitions. For purposes of this Agreement, the following terms have the following meanings:

i. "**Confidential Information**" means valuable and proprietary confidential business information or data other than Trade Secrets. Confidential Information also includes any items specifically designated as a Trade Secret that are ultimately determined under applicable law not to constitute a trade secret but that otherwise meet the definition of Confidential Information. FRANCHISEE ACKNOWLEDGES THAT THE TERMS OF THE MANUAL ARE CONFIDENTIAL INFORMATION.

ii. "**Trade Secrets**" means information (including, but not limited to, confidential business information, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, list of actual or potential customers or suppliers) that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. To the extent that applicable law mandates a definition of "trade secret" inconsistent with the foregoing definition, then the foregoing definition shall be construed in such a manner as to be consistent with the mandated definition under applicable law.

THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FRANCHISOR'S CONFIDENTIAL INFORMATION INCLUDES, BUT IS NOT LIMITED TO: THE CONTENTS OF THE MANUAL (EXCEPT FOR ANY INFORMATION IN THE MANUAL THAT WOULD CONSTITUTE A TRADE SECRET); AND ANY COMPONENT OF THE SYSTEM THAT DOES NOT CONSTITUTE A TRADE SECRET BUT THAT OTHERWISE MEETS THE DEFINITION OF "CONFIDENTIAL INFORMATION."

11. Restrictions on Change of Ownership.

a. Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily sell, assign, convey, pledge, merge, transfer, encumber or give (collectively "**transfer**") any direct or indirect interest in this Agreement, the Zen Massage® Center name, or any variation of said name, and/or in the Franchise or License herein granted. Any such attempted transfer without the prior written permission of Franchisor shall be null and void and not valid or binding in any legal action and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 14 of this Agreement. Franchisee agrees any proposed transferee is subject to the approval of Franchisor, with Franchisor free to exercise its consideration of proposed transferee in the same manner as it considers the approval of Franchisees developing new Centers.

b. Notwithstanding anything to the contrary herein, Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. In order to effect the foregoing, Franchisee shall execute such documents of attornment or otherwise as Franchisor shall request.

c. Franchisee shall notify Franchisor in writing of any proposed transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchise at least thirty (30) days before such transfer is proposed to take place, to obtain Franchisor's consent to the transfer. Franchisor shall not unreasonably withhold its consent to any transfer, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of changing control of Franchisee or of transferring a controlling interest in this Agreement, the License or all or substantially all of the assets of the Franchise Franchisor may in its sole discretion, require any or all of the following as conditions of its approval:

   i. Transferee agrees to successfully complete the training program required of all new franchisees and pays to Franchisor a transfer fee of Ten Thousand Dollars ($10,000);

   ii. Franchisee pays to Franchisor all moneys due and cures any existing defaults under this Agreement;

   iii. If the balance of the Term of this Agreement is two years or less transferee signs the current form of franchise agreement, the term of which shall be the term of the Franchisee's then-current Franchise Agreement; provided, however, that the transferee shall not be required to pay an initial franchise fee, other than the transfer fee required in subsection 11(c)(i) above; and

   iv. Franchisee executes a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees.

d. If Franchisee is an individual and desires, during the Term hereof, to transfer this Agreement to a corporation, limited liability company or partnership for the convenience of ownership and has given Franchisor written notification thirty (30) days in advance of such proposed transfer, Franchisor will not unreasonably withhold its consent to the transfer of this Agreement and Franchisee's interest herein, provided that Franchisee and such corporation, limited liability company or partnership satisfies Franchisor's reasonable requirements, including but not limited to the following:

   i. Franchisee shall at all times be the record and/or beneficial owner of such corporation, limited liability company or partnership.

   ii. No other person or entity, except members of Franchisee's immediate family, shall own or have any right to acquire any capital stock, securities or other interests of such corporation, limited liability company or partnership without Franchisor's prior written consent.

iii. Franchisee shall remain personally liable to Franchisor for all obligations under this Agreement (including but not limited to the covenants contained in Section 17 hereof).

iv. Franchisee shall provide Franchisor financial statements of the potential transferee.

v. Franchisee has executed a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, if any, and their respective officers, directors, agents and employees.

e. If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchise desires to accept any *bona fide* offer from a third party to purchase such interest, Franchisee shall notify Franchisor in writing, by certified mail, return receipt requested, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of Franchisee's notification, to match transferee's offer, or pay the equivalent in cash. Franchisor may then purchase the interest upon the same terms and conditions offered by the proposed transferee. Failure by Franchisor to exercise this right within thirty (30) days following receipt of the written offer shall thereafter permit Franchisee to proceed with the sale to the proposed transferee, provided such transferee meets the requirements of this Section 11 and has been approved by Franchisor. Any change in the terms between the proposed transferee and Franchisee shall be considered a new offer which must be submitted to Franchisor subject to the procedures set forth herein.

f. Upon the death or mental incapacity of Franchisee or any person with a controlling interest in Franchisee (if Franchisee is a corporation, limited liability company or partnership), or in all or substantially all of the assets of the Franchise, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six (6) months after such death or mental incapacity. Such transfers, including, without limitation transfers by devise or inheritance, shall be subject to the same conditions as any *inter vivos* transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 11 or do not wish to accept such transfer, then the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 14.

12. Protection of System.

If Franchisee learns of any actual or threatened infringement or misappropriation of the Proprietary Marks, trade secrets, methods, procedures or techniques used in the System (an "**infringement**") or of any infringement claim made against Franchisee by a party other than Franchisor, Franchisor shall, in the exercise of its sole discretion, determine what action, if any, to take with respect to the foregoing and Franchisor shall bear the expense of any such action determined appropriate by Franchisor.

13. Relationship of the Parties; Indemnification.

a. The relationship between Franchisor and Franchisee is strictly that of an independent contractor. This Agreement does not create a joint venture, partnership, bond, employment arrangement, relationship, or alliance except as described in this Agreement and any act of omission of either party shall not bind or obligate the other.

b. Franchisee agrees that Franchisor has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the Franchise and that the amount of profit or loss resulting from the operation of the Franchise will be directly attributable to the performance of the Franchisee.

c. Franchisee shall protect, indemnify and save Franchisor harmless against any and all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses, and liabilities of any kind or nature arising directly or indirectly out of or in connection with the operation of the Franchise.

d. Franchisee recognizes that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in the Proprietary Marks, trade secrets, methods, procedures, or techniques developed by Franchisor and used with the System. Furthermore, nothing contained in this Agreement shall be construed as limiting Franchisor's right, title or interest in the Proprietary Marks, trade secrets, methods, procedures and techniques which are a part of the System or Franchisor's sole and exclusive right to register, use and award franchises to others to use such Proprietary Marks, trade secrets, methods, procedures and techniques.

e. In all public records and in relationships with third parties as well as on letterheads and business forms, Franchisee shall indicate his independent ownership of the Franchise and that it is a Franchisee of Franchisor's Centers. Franchisee agrees to conspicuously display inside the Franchise a notification sign, provided by Franchisor, that it is solely an independent business person or business and a Franchisee of Franchisor.

14. Termination.

a. Termination by Franchisor. Franchisee acknowledges that the strict performance of all the terms of this Agreement is necessary not only for protection of Franchisor, but also for the protection of Franchisee and other franchisees of Franchisor. As a result, Franchisee therefore acknowledges and agrees that strict and exact performance by Franchisee of each of the covenants and conditions contained in this Agreement is a condition precedent to the continuation of this Agreement. If Franchisee shall breach any provision of this Agreement, then Franchisor shall notify Franchisee in writing of such breach, specifying its nature and giving Franchisee thirty (30) days in which to remedy same, except as otherwise set forth below. If Franchisee shall fail to remedy such breach during said thirty (30) days, then Franchisor can terminate this Agreement and the Franchise effective immediately upon receipt by Franchisee of notice of termination. If applicable law requires that Franchisee be allowed more than thirty (30) days to remedy such breach, then Franchisee shall be given such longer time to remedy such breach.

Notwithstanding any other provision of this Agreement, Franchisor, at its option, and without prejudice to any other rights or remedies which it may have hereunder, at law or in equity, may terminate this Agreement and all rights granted under it, without affording Franchisee any opportunity to cure the breach (unless otherwise specified below), effective immediately upon Franchisor notifying Franchisee in writing of such breach, upon the occurrence of any of the following events of default:

i. Franchisee is delinquent in the payment of the Royalty Fee or the Marketing Fee, or any other payment due to Franchisor and if the default is not cured within ten (10) days after Franchisor gives notice in writing to cure such default;

ii. Franchisee shall be adjudicated as bankrupt; if a receiver (permanent or temporary) of the property, or any part thereof is appointed by a court of competent authority; if Franchisee makes a general assignment for the benefit of his creditor; or if execution is levied against the Franchise or Franchisee's business or property;

iii. Franchisee abandons the Franchise premises or ceases its operation for a period of more than seven (7) consecutive regular business days without prior written approval from Franchisor;

iv. Franchisee or any principal or owner of Franchisee is convicted of a felony, a crime involving moral turpitude, bribery, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;

v. Franchisee attempts to make a transfer in violation of Section 11 hereof;

vi. Franchisee fails to construct and open the Franchise within the time limits as provided in Section 4(d) above;

vii. Franchisee discloses or divulges the contents of the Manual, or any other Confidential Information or Trade Secret provided to Franchisee by Franchisor or any of its affiliates to any third party;

viii. Franchisee violates the terms of Section 16;

ix. Franchisee breaches or fails to comply with any law, regulation or ordinance that results in a threat to the public's health or safety and fails to cure the non-compliance within twenty four (24) hours following receipt of notice thereof from Franchisor or applicable public officials, whichever occurs first, expense, charge or other amount;

x. Franchisee engages in any activity which has a material adverse effect on the Franchisor and/or the Proprietary Marks and/or engages in any other business in the Approved Location;

xi. Any of the representations of Franchisee herein or in any other instrument, document or certificate furnished pursuant to this Agreement or in connection therewith is untrue in any material respect or omits any material fact necessary to make any such representations not misleading in light of the circumstances in which such representation was made; or

xii. Within twelve (12) months immediately preceding the occurrences of such default, Franchisee has been given notice of any default hereunder on two (2) prior occasions, whether or not such default has been cured.

b. Cross-Default. If there are now, or hereafter shall be, other franchise agreements in effect between Franchisor and Franchisee, a default by Franchisee under the terms and conditions of this or any other of such agreements, shall at the option of Franchisor, constitute a default under all such agreements.

15. Effect of Termination.

a. Effect of Termination on Franchisee. Upon the termination of this Agreement for any reason, including, without limitation, termination upon the expiration of its Term by virtue of Franchisee's failure to renew this Agreement as provided in Section 2 of this Agreement, Franchisee shall cease to be a Franchisee and shall have no rights with respect to the Protected Territory. Franchisee further agrees to each of the following upon termination of this Agreement:

i. Promptly pay Franchisor all amounts owing from Franchisee to Franchisor;

ii. Immediately discontinue the use of all Proprietary Marks and any variation thereof, signs, structures, forms of advertising, colors, stationery, telephone listings and service, uniforms, manuals, and all materials and products of any kind which are identified or associated with the Zen Massage® or Franchisor;

iii. Make no representations or statements electronically, in word, or print, or in any other manner that Franchisee is or ever was in any way approved, endorsed or awarded a Franchise by Franchisor or associated or identified with Franchisor in any manner whatsoever;

iv. Immediately to take all steps necessary to amend or terminate any registration or filing containing the Proprietary Marks in order to effectuate the removal of the Proprietary Marks from such a registration or filing, and all equipment and or products;

v. Assign to Franchisor all right, title, and interest in any email address, web site, identification, method of communications, telephone numbers and business listings used by Franchisee in connection with its conduct of the Franchise, and agrees that any such right, title or interest may be assumed by Franchisor, at Franchisor's option, upon termination or expiration of this Agreement. Franchisee also hereby appoints Franchisor's then-president as its attorney-in-fact with full power and authority to execute on Franchisee's behalf any documents that are necessary to effectuate such assignments;

vi. Return to Franchisor all materials containing Confidential Information, including but not limited to, the Manual and all other records, correspondence, customer lists, and instructions, videotapes, and software, all of which are acknowledged to be the property of Franchisor; and

vii. Comply with the covenants contained in Section 16 of this Agreement.

b. Removal of Proprietary Marks. If, within five (5) days after termination notice, Franchisee fails to remove all displays of Proprietary Marks and variations thereof, signs, structures, forms of advertising, colors, stationery, customer receipts, telephone listings and service, uniforms, manuals, and all materials and products of any kind which are identified or associated with the Centers or Franchisor and/or operation of the Franchise, then Franchisee hereby irrevocably authorizes Franchisor to enter the Franchise premises to effect removal of such material, and, in such event, Franchisor shall not have liability to Franchisee for doing so.

c. No Confusion with Proprietary Marks. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business after termination or expiration of this Agreement as follows:

i. To not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Proprietary Marks.

ii. To not utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor or a former association or connection with Franchisor.

iii. To take such action as may be required to cancel all fictitious or assumed name registrations relating to Franchisee's use of any of the Proprietary Marks.

iv. To notify the telephone Franchisor and all telephone directory publishers of the termination or expiration of any rights Franchisee may have to use any telephone number and any regular, classified or other telephone directory listings associated with any of the Proprietary Marks and to authorize transfer of the telephone number to Franchisor or at Franchisor's direction. Franchisee must immediately execute such instruments and take such steps as Franchisor deems necessary or appropriate to transfer and assign each such telephone number.

d. Franchisor's Claims. Termination of this Agreement shall not effect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

e. Continuing Obligations in Event of Transfer. In the event of a transfer of this Agreement, transferor shall remain obligated under the provisions of Section 15(1) above.

f. Survival of Provisions. All obligations under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect until they are satisfied in full or by their nature expire.

16. Covenants.

a. Franchisee Receives Confidential Information. Franchisee acknowledges that as a Franchisee of Franchisor, Franchisee will receive Confidential Information, including information about methods, procedures and techniques developed by Franchisor and about the System.

b. Competitive Business. "**Competitive Business**" means any business that provides professional therapeutic massage services, and/or which, in whole or in part, offering to the public products and/or services which are substantially similar to the products and/or services then offered by Franchisor at its Centers. Franchisor would be unable to protect its Confidential Information and Trade Secrets against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among its franchisees if such franchisees were permitted an unrestricted right to hold interests in, or perform services for, any Competitive Business. During the Term of this Agreement, and for a period of two (2) years following the expiration or termination of this Agreement, neither Franchisee nor any of its Equity Owners (if applicable) nor any member of his, her or their immediate families (whether natural or adopted) shall hold interests in, or perform services for a Competitive Business located within two miles of the Protected Territory or within two miles of Franchisor or its affiliates or any other franchisee of Franchisor without Franchisor's prior review and written consent.

c. Covenant Not to Compete. Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee, and any of Franchisee's Equity Owners (if applicable), shall not:

i. During the Term of this Agreement either directly or indirectly, including but not limited to through any member of his, her or their immediate families (whether natural or adopted), for himself or themselves, or on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, advise, consult with, invest in, be employed by, or engage in, any business specializing, in whole or in part, in a Competitive Business (as defined above) offering to the public products and/or services which are substantially similar to the products and/or services then offered by Franchisor at the Centers;

ii. For two (2) years after expiration or termination of this Agreement, regardless of the reason for such expiration or termination (including termination following a transfer of any interests in the Franchise Agreement or the Center), either directly or indirectly, including but not limited to through any member of his, her or their immediate families (whether natural or adopted), for himself or themselves, or on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, advise, consult with, invest in, be employed by, or engage in, any Competitive Business, at the location of the Franchise, within twenty-five (25) miles of the Franchise or within twenty-five (25) miles of any Center then operating or under construction; and

This covenant is not intended to prevent any individual Franchisee from being able to procure gainful employment. Franchisee acknowledges and agrees the above stated covenant not to compete is reasonable and necessary for the protection of all Franchisor's franchisees and the System. The two (2) year post-term covenant not to compete shall be tolled during any period time Franchisee is in violation of such post-term covenant not to compete such that the covenant not to compete shall be enforceable for a full two (2) year period.

d. Payment of Fees and Injunctive Relief. Franchisee further acknowledges and agrees that it will immediately and without protest pay all attorneys' fees and related expenses that Franchisor may incur in pursuing injunctive relief in order to enforce the terms of Section 16.

e. Exception to Covenant Not to Compete. The above restrictive covenants shall not apply to ownership by Franchisee or Franchisee's Equity Owners of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

17. Arbitration.

a. Prior to the initiation of any litigation or arbitration by either party pursuant to Section 17(2), the parties shall make a good faith effort to resolve any controversies between them by non-binding mediation at a location within or near the Protected Territory, either through a mutually acceptable mediator or through an established mediation service selected by Franchisor. No litigation or arbitration proceeding may be commenced until the earlier of thirty (30) days from written notice by one party to the other of a request to initiate mediation, or the mutual agreement by both parties that mediation has been unsuccessful in resolving the existing controversy. Mediation shall be deemed unsuccessful if the notified party fails to respond to the requesting party within thirty (30) days of notification. The parties shall share equally all fees and expenses of the mediator.

b. Except as qualified in 17(1), and 17(5), the parties hereby agree that any and all disputes and claims arising out of (either directly or indirectly) or related to the Franchise, this Agreement or related agreement(s) including breach thereof and including any alleged violation of law shall be submitted to binding arbitration under the Federal Arbitration Act . Any arbitration must be resolved on an individual basis only and not joined as part of a class action or the claim of other franchisees. The dispute shall be heard by a panel of three (3) independent arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA). The arbitrators must follow the law and not disregard the terms of this Agreement. Franchisee and Franchisor shall share equally all fees and expenses of the arbitrators and AAA. Arbitration shall take place in the city or county where Franchisor then has its principle place of business.

c. The decision of the arbitrators may be filed as a judgment in any court of competent jurisdiction and will be binding in any other jurisdiction.

d. Any arbitration proceeding, or any claim in arbitration (including any defense and any claim of setoff or recoupment), must be brought or asserted before the expiration of the earlier (1) the time period for bringing an action under any applicable state or federal statute of limitation; (2) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) two years after the first act or omission giving rise to an alleged claim.

e. Notwithstanding anything to the contrary in Sections 17(1) through (4), Franchisee recognizes that its Franchise is one of a number of franchises identified by the Proprietary Marks and similarly situated and selling to the public similar products and services, and hence the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to Franchisor and/or to some or all of Franchisor's other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by

Franchisee, Franchisor will forthwith be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of breach or threatened breach of any of the terms of this Agreement by Franchisor, Franchisee will forthwith be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party.

f. Any claims, controversies or disputes arising out of or related to this Agreement that are not subject to arbitration as provided above, shall be brought in the district of the federal court of competent jurisdiction where Franchisor maintains its principal place of business. Furthermore, in the event of any such legal proceedings between the parties hereto, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs from the other party.

18. Waiver.

A waiver of any violation or breach of this Agreement or delay or omission on the part of Franchisor to exercise any right arising from any violation of this Agreement shall not impair its rights to any future violations.

19. Notices.

All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt. Further, it is agreed by Franchisee and Franchisor that all notices shall be deemed delivered (a) on the date shown on the return receipt or in the courier's records as the date of delivery or (b) on the date of first attempted delivery, if actual delivery cannot for any reason be made. Such notices, and any payments or reports required to be delivered under the terms of this Agreement, shall be provided to the Franchisor or the Franchisee, as applicable, at the addresses specified on Exhibit A to this Agreement, or at such other addresses as Franchisor or Franchisee may designate in writing from time to time.

20. Severability.

If any portion(s) of this Agreement shall be held invalid or unenforceable, the validity of the remaining portions shall be unaffected and this Agreement shall remain in full force and effect as if it had been executed with the invalid portion(s) omitted.

21. Caveat.

IT IS AGREED THAT NO REPRESENTATIONS OF SUCCESS HAVE BEEN MADE TO FRANCHISEE BY FRANCHISOR, NOR DOES FRANCHISOR GUARANTEE THE SUCCESS OF THE FRANCHISEE'S FRANCHISE. FRANCHISEE UNDERSTANDS AND RECOGNIZES THAT THE SUCCESS OF THE FRANCHISE IS THE SOLE RESPONSIBILITY OF FRANCHISEE AND WILL BE A RESULT OF EFFORTS AND BUSINESS DECISIONS MADE BY FRANCHISEE.

______ Franchisee's Initials (or initials of principal or owner of Franchisee, if an entity)

22. Jurisdiction, Venue and Controlling Law; Interpretation of Rights.

a. This Agreement shall be governed by and enforced in accordance with the laws of the state of North Carolina except where federal law governs the subject matter. Franchisee and Franchisor consent to the exclusive jurisdiction and venue of any court of general jurisdiction, located in the County of Cabarrus, State of North Carolina and, except as provided in Section 17 any legal proceedings arising out of this Agreement shall be brought only in such court.

b. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate develop and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

c. Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise Franchisor's rights reasonably or in good faith, Franchisor will satisfy its obligations whenever Franchisor exercises reasonable business judgment in making its decision or exercising its rights. A decision or action by Franchisor will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of Franchisor. Examples of items that will promote or benefit the system include enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

23. Entire Agreement.

Franchisor encourages Franchisee to seek the advice of an attorney in evaluating this Agreement, and Franchisee acknowledges that Franchisee has had ample opportunity to engage an attorney to advise Franchisee regarding evaluating this Agreement.

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire agreement between Franchisee and Franchisor. There are no representations either oral or written except those contained in this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

1. Franchisee warrants that he has not received any oral promises of any kind from anyone in connection with the signing of this Agreement and that all agreements and understandings between the parties have been incorporated totally and without exception in this Agreement. It is agreed and understood that this Agreement has been signed at the headquarters or regional office of Franchisor.

2. Franchisee acknowledges that he has conducted an independent investigation of the Franchise granted hereunder, and recognizes that the business venture contemplated by this Agreement involves risks and that its success will depend upon the ability of Franchisee (or, if Franchisee is a corporation, limited liability company or partnership, the ability of its principals) as an independent business person.

3. Franchisee acknowledges that if all or any part of the fees required by this Agreement were financed, that the finance company was freely chosen by Franchisee and Franchisee takes sole responsibility for rates, terms and conditions.

IN WITNESS WHEREOF, Franchisor and Franchisee have signed this Agreement as of the day and year first above written.

This is a legal document which grants specific rights to and imposes certain obligations upon Franchisor and Franchisee. Consult legal counsel to be sure that you understand your rights and duties.

ZEN MASSAGE FRANCHISING, INC.:

By____ ____________________
(Date)
Its ______________________

FRANCHISEE:

____

By____ ____________________
(Date)
Its _______________________

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

EXHIBIT A

General Information

Effective Date**:** _______________________________ ______

Franchisor's Principal Business Address: Zen Massage Franchising, Inc.
19911 Zion Avenue, Ste. D-1
Cornelius, NC 28031
Facsimile No.: __________________
Attention: ________________

Franchisee's Name: _____________________________________

Initial Franchise Fee: ____________________________________

Equity Owners' Name(s): _______________________________
____
____

Operating Principal: _______________________________

Franchisee's State of Organization (if applicable): _______________________________

Address and facsimile number of Franchisee:

____
____
____
____

Address and facsimile number of Guarantor(s):

____
____
____
____

____
____

____
____

Protected Territory: ____
____
____
____

Accepted and agreed as of _________, 20___:

Franchisee ______ (initial)

Franchisor ______ (initial)

Approved Location: ____

Franchisor and Franchisee agree that the Approved Location was inserted as of ________, 20___.

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

EXHIBIT B

<u>Proprietary Marks</u>

The trademarks and service marks are shown below.

zen massage®
No Contracts • No Membership Fees™
close your eyes and count to zen®

"ZEN MASSAGE®"	"ZEN MASSAGE CENTER"	"NO CONTRACTS. NO MEMBERSHIP FEES. JUST AHHH!"
"CLOSE YOUR EYES AND COUNT TO ZEN®"	"NO CONTRACTS. NO MEMBERSHIP FEES. NO HAS-SLES!"	OUR "DESIGN OF LOTUS" IMAGE
NO CONTRACTS NO MEMBERSHIP FEES JUST "AAAAH…"		

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

EXHIBIT C

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to *ZEN MASSAGE FRANCHISING, INC.* ("**Franchisor**") to execute the Franchise Agreement between Franchisor and __________________________ ("**Franchisee**"), dated_____________, 20____ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be found by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the Proprietary Marks or System (each as defined in the Agreement) licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Sections 22 & 23 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State North Carolina. In the event of any conflict of law, the laws of the State of North Carolina shall prevail (without regard to, and without giving effect to, the application of North Carolina conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal) Signed:__________________________________
(In his/her individual capacity)

Name:__________________________________

Address:________________________________
____

(Seal) Signed:__________________________________
(In his/her individual capacity)

Name: __________________________________

Address:________________________________
____

(Seal) Signed:__________________________________
(In his/her individual capacity)

Name:__________________________________

Address:________________________________
____

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT
EXHIBIT D
AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

____ (Name of Person or Legal Entity)

____
_____(ID Number)

The undersigned depositor ("**Depositor**") ("**Franchisee**") hereby authorizes *ZEN MASSAGE FRANCHISING, INC.* ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designed below ("**Depository**") ("**Bank**") to debit or credit such account(s) pursuant to Franchisor's instructions.

___________________________	___________________________
Depository	Branch
___________________________	___________________________
City	State Zip Code
___________________________	___________________________
Bank Transit/ABA Number	Account Number

____

This authority is to remain in full force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

___________________________	___________________________
Depositor:	Depository:
By:_______________________	
By:_______________________	
Name:_____________________	
Name:_____________________	
Title:_____________________	
Title:_____________________	
Date:_____________________	Date:_____________________

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

EXHIBIT E

ADA CERTIFICATION

ZEN MASSAGE FRANCHISING, INC. ("**Franchisor**") and _________________ ("**Franchisee**") are parties to a Franchise Agreement dated ___________, 20__ (the "**Franchise Agreement**") for the operation of a Zen Massage® Center franchise located at ___________________________________ (the "**Center**"). In accordance with Section 7(c) of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee's knowledge, the Center and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Center. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party or parties as a result of any matters associated with Franchisee's compliance with the Americans with Disabilities Act, as well as the costs, including attorneys' fees, related to the same.

FRANCHISEE:

By____ ______________________________
(Date)

Its _____________________

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

EXHIBIT F

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made this _______ day of _____________, 20_____, by and between ________________________________ (the “**Franchisee**”), and __________________________________, who is a principal, manager, supervisor, member, partner or other person in a managerial position with Franchisee, or any other employee of Franchisee with access to or knowledge of confidential information and/or trade secrets of Zen Massage Franchising, Inc. (the “**Franchisor**”) who is required to execute this Agreement (the “**Individual**”).

BACKGROUND:

A. Franchisor owns a system (the “**System**”) relating to the establishment, development and operation of Zen Massage® Centers (the “**Centers**”) using certain trade names, service marks and logos identified in the Franchise Agreement, as defined below (the “**Proprietary Marks**”).

B. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee a license to operate one (1) Center and to distribute products and provide services approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

C. The Individual, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information (as defined in the Franchise Agreement), and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these promises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Individual shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any Confidential Information which may be communicated to Individual or of which Individual may be apprised by virtue of Franchisee’s operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how and techniques that Franchisor designates as confidential shall be deemed Confidential Information for purposes of this Agreement, unless Franchisee can demonstrate that such information came to its attention prior to disclosure thereof by Franchisor or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Individual specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Individual will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the System.

(b) Individual covenants and agrees that during the term of Individual's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by Franchisor, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any persons or legal entity:

(i) Divert or attempt to divert any business or customer of the Center or of any other Zen Massage® Center using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System;

(ii) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Own, maintain, operate, engage in, or have any interest in Competitive Business (as defined in the Franchise Agreement);

(iv) Disclose or disseminate any customer names, mailing lists or email lists to any party or entity.

(c) Individual covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any persons or legal entity, own, maintain, operate, engage in, nor have any interest in any Competitive Business within the Protected Territory (as defined in the Franchise Agreement).

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the later of: (a) the date of a transfer permitted under Section 11 of the Franchise Agreement with respect to Individual; and (b) termination of Individual's employment with, and/or ownership interest in Franchisee.

(e) The above restrictive covenants shall not apply to ownership by Individual of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

3. Injunctive Relief. Individual acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Individ-

ual agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, the Individual agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Franchisor's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Individual agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Individual hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Individual attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this date of ________________, 20______.

FRANCHISEE	INDIVIDUAL
______________________________	______________________________
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Title:____________________________	Title:____________________________

ZEN MASSAGE FRANCHISING, INC.
FRANCHISE AGREEMENT

Exhibit G
ADDENDUM TO LEASE

This Addendum to Lease ("Addendum") entered into this _____ day of ________, 20__, by and between _____________________ ("Franchisee") and ____________________________ ("Landlord") for the premises located at __________________________;

WHEREAS, Franchisee has executed a Franchise Agreement ("Franchise Agreement") with Zen Massage Franchising, Inc. ("Franchisor"), and as part of said Franchise Agreement, the lease ("Lease") for the franchised Zen Massage Center ("Center") must contain certain provisions; and

WHEREAS, Landlord and Franchisee agree that the terms contained herein will be applicable to the Lease, notwithstanding anything contained in the Lease to the contrary;

NOW, therefore, in consideration of the mutual promises contained herein and the execution of the Lease, which execution is made simultaneously with this Addendum, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees that Franchisee will not otherwise assign the Lease or renew, amend or extend the term of the Lease without the prior written consent of Franchisor.

2. Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the Lease at the same time that such letters and notices are sent to Franchisee. Landlord further agrees that, if it intends to terminate the Lease, the Landlord will give Franchisor 30 days' advance written notice of such intent, specifying in such notice all defaults that are the case of the proposed termination. Franchisor will have after the expiration of the period during which Franchisee may cure such default, an additional 15 days (or if there is no cure period, at least 15 days) to cure, at its sole option, any such defaults. Franchisor, or an affiliate of Franchisor, will have the right, but not obligation, upon giving written notice of its election to Franchisee and Landlord, to cure the breach and succeed to Franchisee's rights under the Lease, and any renewals or extensions thereof.

3. Upon default, expiration or termination of the Franchise Agreement or the Lease, and upon notice to Landlord, Franchisor or its designee will have the option, without however any obligation, to assume the Franchisee's obligations under the Lease, on the same terms and conditions available to the Franchisee. Further, if Franchisee or any other party with an interest in Franchisee transfers to Franchisor or another party all of its or their interest in the Franchise Agreement, the Franchisee or the Centre, the transferee will have the right to assume the Lease on the same terms and conditions as are contained in the Lease.

4. Franchisor will have the right to enter the premises to make any reasonable modification or reasonable alteration necessary to protect Franchisor's interest in its proprietary marks. Landlord agrees that in such event Franchisor will not be liable for trespass or any other crime or tort.

Further, Franchisor or its designated agents will be permitted to enter the leased premises for purposes of making inspections in accordance with the terms of the Franchise Agreement.

5. Franchisee may assign to Franchisor all of its rights of further assignment at any time if the Landlord is given reasonable notice thereof. Such an assignment will be effective only if accepted in writing by Franchisor.

6. Upon request of Franchisor, the Landlord will provide Franchisor with copies of all reports, information, or data in Landlord's possession with respect to sales made from the leased premises.

7. Copies of any and all notices pertaining to the Lease will also be sent to Franchisor at the following address, or at such other address as may be designated by Franchisor in writing:

[insert Franchisor's address]

8. Franchisor will be a third-party beneficiary of this Addendum and has the right independently of Franchisee to enforce all of its rights hereunder.

9. To the extent of any conflict between the terms and conditions of this Addendum to Lease and the Lease, this Addendum will govern.

FRANCHISEE:	LANDLORD
______________________________	______________________________
By:____________________________	By:____________________________
Its:____________________________	Its:____________________________

EXHIBIT D
TO
FRANCHISE DISCLOSURE DOCUMENT

State Specific Addenda to the Franchise Agreement

See attached.

MULTI-STATE AMENDMENT
TO FRANCHISE AGREEMENT
(FOR THE FOLLOWING STATES: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

This Amendment pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not subject the parties to the provisions of the SOP. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Franchise Agreement dated __________________ ______, 20__, will be amended as follows:

1. The following language is added immediately before the signature block of the Franchise Agreement:

> "No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:	Franchisee:
____________________________________	____________________________________
By: ______________________________	By: ______________________________
Its: ______________________________	Its: ______________________________
Date of signature: ______________________	Date of signature: ______________________

EXHIBIT E
TO
FRANCHISE DISCLOSURE DOCUMENT

List of Franchisees and Former Franchisees Within the Last Year as of December 31, 2024

PART A – Current Franchisees

Kansas

David Thompson*
13628 South Black Bob Rd.
Olathe, KS 66062
913-764-0000

David Thompson*
12615 Metcalf Avenue
Overland Park, KS 66213
913-338-1111

Missouri

Throwing Stones, LLC
12715 Sagamore Rd
Leawood, KS 66209
913-338-1111

Nevada

Brian Patterson and Linda Tran
9730 West Tropicana Avenue
Las Vegas, NV 89147
702-889-6274

Jerry Goldstein*
611 N. Stephanie
Henderson, NV
913-980-3600

North Carolina

Bob Kinser
287 Williamson Road, Suite C
Mooresville, NC 28117
704-664-0222

STRI, LLC (ZMFI CEO Keith Larson)
Antiquity Town Center
19911 Zion Ave.
Suite D1
Cornelius, NC 28031
704-947-9162

STRI, LLC (ZMFI CEO Keith Larson)
9826 Gilead Road
Suite C 103
Huntersville, NC 28078
704-947-9162

South Carolina

Scott Martin*
7620 Rivers Avenue Suite 340
Charleston, SC 29406
843-572-0309

*Area Developer

PART B – Former Franchisees Who Left in the Previous Fiscal Year; Franchisees Who Have Not Communicated Within 10 Weeks of the Application Date

None.

PART C – Trademark-Specific Franchisee Organizations

None

EXHIBIT F
TO
FRANCHISE DISCLOSURE DOCUMENT

Manual Table of Contents

3.6.3 Questions to Avoid

1. Resumes **<u>1/4 Page</u>**

3.7.1 Confidentiality of Resumes
3.7.2 References

2. Responsibilities and Job Descriptions **<u>2 1/4 Pages</u>**

3. Personnel Policies **<u>1 Page</u>**

3.9.1 Introduction
3.9.2 Communicating Work Rules
1. Arrival Policy
2. Holiday/Vacation Policy
3. Sexual Harassment Policy
4. Smoking Policy

4. Training Your Staff **<u>1/8 Page</u>**

4.1. Manager
4.2. Massage Therapists

3.11 New Hire Paperwork **<u>1/8 Page</u>**

3.11.1 Front Desk Staff
3.11.2 Scheduling Therapists
3.11.3 Time Off

3.12 Scheduling **<u>1/4 Page</u>**

3.12.1 Front Desk Staff
3.12.2 Massage Therapists
3.12.3 Time Off

3.13 Paying Your Staff **<u>1/2 Page</u>**

1. Wages
2. Minimum Wage
3. Benefits
4. Incentives

3.14 Staff Evaluations **<u>1/8 Page</u>**

3.15 Resignation/Termination **<u>1/4 Page</u>**

SECTION 4: SCRIPTS, CONTRACTS, & FORMS

SECTION 5: Mindbody

<u>The Operations Manual contains a total of 91 pages.</u>

EXHIBIT G
TO
FRANCHISE DISCLOSURE DOCUMENT

INTENTIONALLY OMITTED

EXHIBIT H
TO
FRANCHISE DISCLOSURE DOCUMENT

List of State Administrators

Below are the names, addresses and telephone numbers of state agency personnel with responsibility for franchising disclosure/registration laws. Franchisor believes that this information is accurate as of the date of this disclosure document. However, the names, position titles, addresses and phone numbers of state agency personnel with responsibility for franchising disclosure/registration laws change periodically. Franchisor cannot assure that this information is accurate or that it is current as of any date, and you should check the applicable directory listing or service if you have difficulty contacting the appropriate person in any state.

California Department of Business Oversight Business Services One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8559	**Louisiana** Office of the Attorney General Consumer Protection Section PO Box 94005 Baton Rouge, LA 70804-9005 (225) 326-6465	**Rhode Island** Department of Business Regulation Securities Division 1511 Pontiac Avenue, building 69-1 Cranston, RI 02920 (40l) 462-9500
Connecticut Department of Banking Securities & Business Investment Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	**Maryland** Office of the Attorney General Securities Division 200 Saint Paul Place Baltimore, MD 21202-2020 (410) 576-6360	**South Carolina** Secretary of State Business Opportunities Division 1205 Pendleton Street Suite 525 Columbia, SC 29201 (803) 734-0367
Florida Department of Agriculture & Consumer Services Division of Consumer Services P.O. Box 6700 Tallahassee, FL 32399-6700 (800) 435-7352	**Michigan** Department of Attorney General Consumer Protection Division- Franchise Section G. Mennen Williams Building 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117	**South Dakota** Department of Labor & Regulation Division of Insurance – Securities Regulation 124 S. Euclid Avenue, 2nd Floor Pierre, SD 57501 (605) 773-3563
Georgia Office of the Attorney General Consumer Protection Division 2 Martin Luther King Jr. Drive Suite 356 Atlanta, GA 30334 (404) 651-8600	**Minnesota** Department of Commerce Securities Division 85 7th Place East Suite 280 St. Paul, MN 55101 (651) 539-1638	**Texas** Secretary of State Registrations Unit 1019 Brazos Street Austin, TX 78701 (512) 463-5705

Hawaii Department of Commerce and Consumer Affairs Business Registration Division King Kalakaua Building 335 Merchant Street, Room 201 Honolulu, Hawaii 96813 (808) 586-2744	**Nebraska** Department of Banking & Finance Bureau of Securities 1526 K Street, Suite 300 Lincoln, NE 68508-2732 (402) 471-3445	**Utah** Department of Commerce Division of Consumer Protection 160 East 300 South Salt Lake City, UT 84111 (801) 530-6601
Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62701 (217) 782-4465	**New York** Office of the New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 Phone: (212) 416-8236	**Virginia** State Corporation Commission Division of Securities & Retail Franchising Tyler Building, 9th Floor 1300 East Main Street Richmond, VA 23219 (804) 371-9051
Indiana Secretary of State Securities Division 302 West Washington Road Room E-111 Indianapolis, IN 46204 (317) 232-6681	**North Carolina** Secretary of State Securities Division 2 South Salisbury Street Raleigh, NC 27601-2903 (919) 814-5400	**Washington** Department of Financial Institutions Securities Division 150 Israel Rd SW Tumwater WA 9850 (360) 902-8700
Kentucky Office of the Attorney General Consumer Protection Division 1024 Capital Center Drive Suite 200 Frankfort, KY 40601-8204 (502) 696-5389	**North Dakota** ND Securities Department State Capitol 5th Floor 600 East Boulevard Avenue Bismarck, ND 58505-0510 (701) 328-2910	**Wisconsin** Department of Financial Institutions Division of Securities 4822 Madison Yards Way North Tower Madison, WI 53705 (608) 266-0448

EXHIBIT I
TO
FRANCHISE DISCLOSURE DOCUMENT

List of Agents for Service of Process

Franchisor has either appointed, or if Franchisor intends to register to become authorized to offer and sell franchises in the following jurisdictions, it shall appoint, the following agents for service of process in the indicated jurisdictions:

CALIFORNIA

Commissioner of Corporations
1515 K Street, Suite 200
Sacramento, California 95814-4052

HAWAII

Director of Commerce and
Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

INDIANA

Indiana Secretary of State
200 West Washington Street, Room 201
Indianapolis, Indiana 46204

MARYLAND

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202

MINNESOTA

Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101

NEW YORK

Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001
(518) 473-2492

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

RHODE ISLAND

Director of Business Regulations
Department of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920

SOUTH DAKOTA

Director of the Division of Securities
124 South Euclid Ave., Suite 104
Pierre, South Dakota 57501-3185

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, P.O. Box 1197
Richmond, VA 23218

WASHINGTON

Washington Director of Financial Institutions
150 Israel Road SW
Tumwater, Washington 98501

WISCONSIN

Wisconsin Division of Securities
Department of Financial Institutions
4822 Madison Yards Way
North Tower
Madison, Wisconsin 53705

EXHIBIT J
TO
FRANCHISE DISCLOSURE DOCUMENT

Area Development Agreement

See attached.

AREA DEVELOPMENT AGREEMENT

BETWEEN

ZEN MASSAGE FRANCHISING, INC.

AND

____

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ZEN MASSAGE FRANCHISING, INC.

AREA DEVELOPMENT AGREEMENT

Area Developer's Name: ____
Street: ____
City: ______________________ State: ________________ Zip Code:_____________
Effective Date of Agreement: ______________________________________

THIS AGREEMENT is made by and between **ZEN MASSAGE FRANCHISING, INC.**, a North Carolina corporation having its principal place of business at 19911 Zion Avenue, Ste. D-1 Cornelius, NC 28031(the **"Franchisor"** or **"Zen Massage"**), and the person(s) listed above (**"Developer"**) as of the Effective Date to evidence the agreement and understandings between the parties as follows:

WHEREAS, Franchisor desires to grant to Developer the exclusive right to open and operate a specified number of Zen Massage® franchises (**"Centers"** or **"Franchises"**) within an exclusive development area that operate under the Zen Massage® mark and other service marks, trademarks, associated designs, artwork and logos as set forth on **Exhibit A** attached hereto (all such marks, and all other marks, trade names, logos, art work and designs, whether now existing or hereafter incorporated into the Zen Massage system (the "System"), shall be collectively referred to herein as the **"Proprietary Marks"**); and

WHEREAS, Developer desires to establish and operate Franchises upon the terms and conditions contained in this Agreement and Franchisor's standard franchise agreements (any franchise agreements entered into between Developer and Franchisor shall be referred to herein as **"Franchise Agreements"**).

NOW THEREFORE, in consideration of the mutual covenants contained herein and other valuable considerations, subject to the terms and conditions hereof, it is mutually agreed between the parties as follows:

I. EXCLUSIVE DEVELOPMENT AREA; DEVELOPMENT SCHEDULE

A. Subject to the terms and conditions herein contained, Franchisor hereby grants to Developer the exclusive right (the "**License**") to open and operate a specified number of Centers in the area(s) specified on Exhibit B attached hereto (the "**Development Area**"). Developer hereby accepts the License and agrees to open and operate Franchises in accordance with the development schedule set forth on Exhibit B (the "**Development Schedule**") during the Initial Term (as defined in **Section II(A)**). The fees payable under each Franchise Agreement shall be paid in accordance with the terms of such Franchise Agreement, subject to the provisions of **Section III**.

B. "Open" as used herein shall consist of (i) the execution by Developer and Franchisor of the then current Franchise Agreement and payment of all fees owed thereunder; (ii) Developer has entered into a lease, sublease or purchase agreement for the Center location; (iii) Developer has obtained all required licensing by state or local authorities; and (iv) the Center is in fact open for business to the general public.

C. Except as provided in this **Section I(C)**, prior to the expiration or any earlier termination of this Agreement, so long as Developer shall open and operate Franchises in accordance with the Development Schedule, and provided that the number of Franchises Open and operating within the Development Area is not less than the minimum number to be developed within the Development Area at any applicable time, then Franchisor shall not, nor shall Franchisor permit any of its affiliates to, nor shall Franchisor license any person other than Developer to, operate a Center within the Development Area using the Proprietary Marks. Except as provided in the preceding sentence, Developer has no exclusive territorial rights, development area or other right to exclude, control or impose conditions on the location or development of other or future Franchisor and affiliate-owned businesses and franchises under the Proprietary Marks or on Franchisor's business activities. Franchisor and its affiliates may establish Centers and grant licenses to third parties for Centers outside of the Development Area, and Developer has no right to restrict or control the development of such Centers. Franchisor may offer and sell franchises and establish Franchisor and affiliate-owned units that sell similar products or may allow others to sell similar products under marks other than the Proprietary Marks at any location. In addition, Franchisor reserves the right on its own or through an affiliate, or through its franchisees, to develop non-traditional locations under the Proprietary Marks, both inside and outside the Development Area in Reserved Locations (as defined below). A "Reserved Location" means any nontraditional site within the Protected Territory, which shall include, without limitation, an airport, arena, hospital, bus or train station, department store, stadium, school, college or university, convention center, state or national park, or military fort, post or base. Zen Massage and its affiliates may also offer various services and products identified by the Proprietary Marks within the Development Area by mail, the Internet or other similar means of distribution.

II. TERM AND SUCCESSOR TERMS

A. This Agreement expires at midnight on the date set forth opposite the last Center to be Opened in the Development Area pursuant to the Development Schedule, unless earlier terminated as hereinafter provided (the "**Initial Term**").

B. At the expiration of the Initial Term or any extension of the Initial Term, Developer shall have the right, at Developer's option, to enter into [five] consecutive successor terms of one year each (a "**Successor Term**", and together with the Initial Term, the "**Term**") by notifying Franchisor in writing of Developer's desire to enter into a Successor Term at least 60 days, but not more than 90 days, prior to the expiration of the Initial Term or the applicable Successor Term provided that (i) Developer has fully performed and complied with each provision of this Agreement, including, without limitation, Developer's obligation to open and operate Centers in accordance with this Agreement; (ii) no Event of Default, or event which with the giving of notice or passage of time or both would constitute an Event of Default, exists under this Agreement or any other agreement between Developer and Franchisor or any of its affiliates as of the date of expiration; and (iii) if the Successor Term covers any period after the tenth anniversary of the Effective Date of this Agreement, Developer has executed Franchisor's then current form of successor area development agreement (the "**Successor Area Development Agreement**"). Developer acknowledges that the Successor Area Development Agreement may contain terms materially different than those contained in this Agreement; provided, however, the Development Area shall be the same as that contained in this Agreement and the Development Fee and initial franchise fee for Franchises to be developed under the Successor Area Development Agreement shall not be greater than those being charged to Zen Massage franchisees as of the tenth anniversary of the Effective Date.

III. AREA DEVELOPMENT FEE; INITIAL FRANCHISE FEES

A. Upon execution of this Agreement, Developer shall pay to Zen Massage the development fee specified on Exhibit B attached hereto (the "**Development Fee**"). Notwithstanding anything to the contrary contained in any Franchise Agreement, the Development Fee shall be deemed non-refundable and shall be fully earned by Franchisor upon execution of this Agreement in consideration of administrative and other expenses incurred by Franchisor and for development opportunities that have been lost or deferred as a result of the rights granted to Developer herein.

B. Notwithstanding anything contained in any Franchise Agreement to the contrary, the Initial Franchise Fee (as defined in each Franchise Agreement) for a Franchise to be opened in the Development Area during the Initial Term of this Agreement is specified on Exhibit B (the "**Initial Franchise Fees**"). A portion of the Development Fee may be applied against the Initial Franchise Fees as indicated on Exhibit B.

C. For avoidance of doubt, nothing in this **Section III** shall affect any Initial Franchise Fee owed to Franchisor by Developer in connection with any Franchise that will not be located within the Development Area or that is opened within the Development Area after the Term.

IV. CENTER CLOSINGS

If a Center is destroyed or damaged by any cause beyond the control of Developer such that it may no longer continue to be open for the operation of business, Developer shall immediately give notice of such destruction or damage to Franchisor. Developer shall diligently work to repair and restore the same to the then approved plans and specifications of Zen Massage as soon as possible at the same location or, at a substitute approved site within the Development Area, but not later than 180 days after said occurrence. Under the above circumstances, such closed premises shall continue to be deemed an Open Center for the purpose of this Agreement. If a Center is closed in a manner other than those described in this **Section IV** or as otherwise agreed in writing by Zen Massage, then Zen Massage may exercise its termination rights as set forth in **Section VI** hereof.

V. CONFIDENTIALITY OF PROPRIETARY INFORMATION

A. **Developer Will Learn Proprietary Matters.** Developer acknowledges that he or she will obtain knowledge of proprietary matters, techniques and business procedures of Zen Massage that are necessary and essential to the operation of the Center without which information Developer could not effectively and efficiently operate such business, including, without limitation, knowledge regarding the System, marketing techniques, financial controls, training and usage of the Confidential Operations Manual (the "**Manual**"). Developer further acknowledges that such proprietary information was not known to Developer prior to execution of this Agreement and that the methods of Zen Massage are unique and novel to the System. As used herein, "Proprietary Information" shall mean confidential information concerning:

1. Persons or other entities which are, have been or become Zen Massage franchisees and any investors therein;
2. Persons or other entities which are, have been or become customers of the Center(s);
3. The terms of and negotiations relating to past or current Franchise Agreements or other Area Development Agreements with respect to the System;
4. The operating procedures of the System, including, without limitation, distinctive management, bookkeeping and accounting systems and procedures; advertising, promotional and marketing methods; personnel hiring and training procedures; the manufacturers, suppliers and uses of equipment; and lists of vendors and suppliers;
5. The economic and financial characteristics of the System and its franchisees, including, without limitation, pricing policies and schedules, profitability, earnings and losses, and capital and debt structures;
6. The services and products offered to customers of the Center(s) including, without limitation, the scope of such products and services; and
7. All documentation of the information listed in **Sections V(A)(1)** through **V(A)(7)** hereof, including, without limitation, the Manual.

During the Term of this Agreement and for a period of five years following the expiration or termination of this Agreement, Developer agrees not to divulge, directly or indirectly, any Proprietary Information, without the prior written consent of Zen Massage.

B. **Injunctive Relief Available to Zen Massage**

Developer acknowledges that any failure to comply with the requirements of this **Section V** will cause Zen Massage irreparable injury, and Zen Massage shall be entitled to obtain specific performance of, or an injunction against any violation of, such requirements. Developer agrees to pay all court costs and reasonable attorneys' fees incurred by Zen Massage in obtaining specific performance of, or an injunction against violation of, requirements of this **Section V**. The foregoing remedies shall be in addition to any other legal or equitable remedies which Zen Massage may possess.

VI. TERMINATION

A. Any one or more of the following constitutes an event of default hereunder (an "**Event of Default**"):

1. Developer fails to open and operate Franchises in accordance with this Agreement including, without limitation, the failure to timely execute a Franchise Agreement and pay any fee owed thereunder;

2. Developer fails to pay a Development Fee installment by the applicable due date referenced in Exhibit B of this Agreement;

3. An event of default occurs under the terms and conditions of any other agreement between Franchisor (or any of its affiliates) and Developer (or any of its affiliates), including, but not limited to, any other Area Development Agreement or any Franchise Agreement or Area Representative Agreement, and such event of default provides Franchisor with the right to terminate such agreement;

4. Developer has made a material misrepresentation on its application to own and operate the Franchise;

5. Developer discloses or divulges the contents of the Manual or any other Proprietary Information to any third party;

6. Developer engages in any activity which has a material adverse effect on the Franchisor and/or the Proprietary Marks;

7. Any purported assignment or transfer of this Agreement, without the prior written consent of Franchisor;

8. Developer commits three or more breaches of this Agreement within any 12 month period, whether or not Developer cures any or all of such breaches; such breaches need not be of the same provision of this Agreement;

9. Developer violates the terms of **Section VII**;

10. Developer admits its inability to pay its obligations as they become due or files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar release under any law, or admitting or failing to contest the material allegations of any such pleading filed against it, or is adjudicated bankrupt or insolvent, or a receiver is appointed for a substantial part of the assets of the Developer or any Center, or the claims of creditors of Developer or the Center are abated or subject to moratorium under any laws.

B. **Franchisor's Remedies**. If any Event of Default occurs, Franchisor may declare this Agreement and any and all other rights granted to Developer hereunder to be immediately terminated and of no further force or effect as follows:

1. Upon termination due solely to Developer's failure to open and operate Franchises in accordance with this Agreement, Franchisor's remedy hereunder resulting from such failure shall be the termination of this Agreement and the receipt of the full amount of the Development Fee due hereunder by Developer to Franchisor upon execution of this Agreement, including any installment payment outstanding at the time of termination, subject to **Section VI(C)** below. Failure of Developer to open and thereafter operate

Franchises as required under this Agreement shall not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement.

2. Upon termination of this Agreement for any other reason whatsoever, Developer will not be relieved of any of its obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities which have accrued prior to such termination. The right of termination granted by this **Section VI(B)** is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity or otherwise.

C. **Rights and Obligations of Developer Upon Termination or Expiration**. Upon termination or expiration of this Agreement for any reason, Developer shall be required:

1. To pay Franchisor within 15 days after the effective date of termination of this Agreement, or such later date that the amounts due to Franchisor are determined, such fees, amounts owed for purchases by Developer from Franchisor or its affiliates, interest due on any of the foregoing, and all other amounts owed to Franchisor or its affiliates which are then unpaid;

2. To immediately return all Proprietary Information (including all copies of the Manual) and cease using any advertising, products, procedures and techniques associated with Zen Massage and the Proprietary Marks, unless Developer has the right to continue using such Proprietary Information, advertising, products, procedures and techniques pursuant to a valid Franchise Agreement with Zen Massage.

3. To furnish Franchisor, within 30 days after the effective date of termination or expiration, as applicable, with evidence satisfactory to Franchisor, of Developer's compliance with the foregoing obligations.

VII. EFFECT OF TERMINATION AND EXPIRATION

A. **Continuing Obligations**. All obligations of Zen Massage and Developer under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

B. **Covenant Not to Compete**. Developer covenants that, except as otherwise approved in writing by Zen Massage, Developer shall not during the Term of this Agreement and for a continuous uninterrupted period commencing upon expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two years thereafter, either directly or indirectly, including but not limited to through any member of his, her or their immediate families (whether natural or adopted), for himself, or on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, advise, invest in, be employed by, or engage in, any retail business specializing, in whole or in part, in offering spa services (including massage services) to the public that are substantially similar to the products and/or services then offered by Zen Massage or its franchisees (1) from the Franchise for any Center developed hereunder and within the restricted area as defined in Exhibit C of the particular Franchise Agreement, or (2) within a two mile radius of any other Zen Massage center in existence at the time this Agreement expires or is terminated. The radius of the restrictive covenant set forth in this **Section VII(B)** shall be a measured with the main entrance door of such other Zen Massage center at the center of the radius with respect to measurement from the center. This covenant is not intended to prevent any individual Developer from employment which does not directly contribute to competition against Zen Massage or its Centers. The two year post-term covenant not to compete shall be tolled during any period time Developer is in violation of such post-term covenant not to compete such that the covenant not to compete shall be enforceable for a full two year period.

C. **Exception to Covenant Not to Compete**. **Section VII(B**) hereof shall not apply to ownership by Developer of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly held corporation.

D. **Covenants are Independent**. The parties agree that each of the foregoing covenants shall be construed to be independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this **Section VII** is held to be unenforceable or unreasonable by a court or agency having competent jurisdiction in any final decision to which Zen Massage is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resultant covenant were separately stated in and made a part of this **Section VII**.

E. **Claims Are Not Defense to Covenants**. Developer expressly agrees that the existence of any claim it may have against Zen Massage, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Zen Massage of the covenants of this **Section VII**. Developer further agrees that Zen Massage shall be entitled to set off any amount owed by Zen Massage to Developer against any loss or damage to Zen Massage resulting from Developer's breach of this **Section VII**.

F. **Injunctive Relief Available to Zen Massage**. Developer acknowledges that any failure to comply with the requirements of this **Section VII** will cause Zen Massage irreparable injury for which no adequate remedy at law may be available, and Developer hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Developer in violation of the terms of this **Section VII**. Zen Massage may further avail itself of any legal or equitable rights and remedies which it may have under this Agreement or otherwise.

VIII. ASSIGNMENT

A. **Assignment by Zen Massage**. This Agreement grants Zen Massage the right to transfer or assign all or part of its rights or obligations under this Agreement to any assignee or other legal successor to the interests of Zen Massage.

B. **Assignment by Developer**. Neither Developer, nor any successor to any part of Developer's interest in this Agreement, nor any Equity Owner (as defined in

Section XII(A)) shall sell, assign, transfer, convey, pledge, mortgage or otherwise encumber any interest in this Agreement or any equity securities in Developer without Franchisor's prior written consent. Any purported assignment or transfer of this Agreement, or any equity securities in Developer, without the prior written consent of Franchisor, shall be null and void. For purposes of this **Section VIII**: (i) the sale or issuance of Developer's equity securities that results in a change of control of Developer constitutes a transfer, and (ii) the sale of a controlling interest in Developer constitutes a transfer. Without limiting the foregoing, Franchisor shall have no obligation to approve any assignment unless Developer has assigned all of its rights in all Franchise Agreements relating to Franchises within the Development Area to the proposed assignee in accordance with the provisions of the applicable Franchise Agreements.

IX. ENFORCEMENT

A. **Arbitration.** Except as otherwise provided in this Agreement, Franchisor and Developer agree that all controversies, disputes, or claims between Franchisor and Developer, including their respective affiliates, owners, officers, directors, agents, and employees, arising from or relating to this agreement and the franchise relationship between Developer and Franchisor, shall on demand of either party be submitted for arbitration to the American Arbitration Association ("**AAA**") or other comparable administrator as agreed upon by the parties. The arbitration shall be governed exclusively by the Federal Arbitration Act (9 USC § 1, at sec.), without reference to any state arbitration statutes. The parties agree that, in connection with any such arbitration proceeding, Developer shall submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be barred. The arbitration proceeding shall be conducted in the city or county where Franchisor then has its principle place of business in accordance with the then current commercial arbitration rules of the AAA, except that the parties be entitled to limited discovery at the discretion of the arbitrator who may, but is not required to, allow depositions. Parties acknowledge that the arbitrator subpoena power is not subject to geographic limitations. The parties agree to be bound by the provisions of any limitation on the period of time by which claims must be brought under North Carolina law or relevant federal law.

The arbitrator shall have the right to award the relief which he or she deems proper, consistent with the terms of this agreement, including compensatory damages (with interest on unpaid amounts from date due), specific performance, injunctive relief, legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding on all parties, and judgment upon the award may be entered in any Court of competent jurisdiction. Any right to contest the validity or the enforceability of the award shall be governed exclusively by the United States Arbitration Act. The provisions of this section shall continue in full force in effect subsequent to and notwithstanding expiration or termination of this agreement.

Developer acknowledges that any failure to comply with the requirements of **Sections V** and **VII** of this Agreement will cause the Franchisor irreparable injury for which no adequate remedy at law may be available, and Developer hereby accordingly consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Developer in violation of such provisions. The Franchisor may further avail itself of any legal or equitable rights and remedies which it may have under this Agreement or otherwise. Developer agrees that notwithstanding the requirement that disputes be submitted to binding arbitration as set forth in this **Section IX(A)**, Franchisor, due to the nature of the irreparable harm and injury Franchisor and the System will suffer if the requirements of **Sections V** and **VII** of this Agreement are violated, may apply for injunctive relief to a state or federal court of competent jurisdiction located in the county of the state court or the district of the federal court where Franchisor maintains its principal place of business, and Developer hereby consents to personal jurisdiction and venue in such courts. Franchisor shall submit any claim for monetary damages arising out of alleged violations of **Sections V** and **VII** of this Agreement to binding arbitration as provided for in **Section IX(A)** above.'

B. **Severability and Substitution of Valid Provisions**. All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law or rule requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such law or rule shall be substituted for the notice or other requirements hereof.

C. **Developer May Not Withhold Payments Due Zen Massage.** Developer agrees that he or she will not withhold payments owed to Zen Massage for any reason, on grounds of alleged nonperformance by Zen Massage of any obligation hereunder.

D. **Rights of Parties Are Cumulative.** The rights of Zen Massage and Developer hereunder are cumulative, and the exercise or enforcement by Zen Massage or Developer of any right or remedy hereunder shall not preclude the exercise or enforcement by Zen Massage or Developer of any other right or remedy hereunder which Zen Massage or Developer is entitled by law to enforce.

E. **Governing Law.** Except to the extent governed by federal law applicable to the subject matter, this Agreement shall be governed by the laws of the State of North Carolina.

F. **Binding Effect.** This Agreement is binding upon the parties hereto and their respective permitted assigns and successors in interest.

G. **Construction.**

1. The headings of the sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs.

2. The term "Developer" as used herein is applicable to one or more persons or an entity, as the case may be; the singular usage includes the plural; and the masculine and neuter usages include the other and feminine.

3. In the event of conflict between this Agreement and the Franchise Agreement for a particular Center developed under this Agreement, the Franchise Agreement for such particular Center shall control. In the event of a conflict between this Agreement and any Exhibit attached hereto, such Exhibit shall control. All Exhibits attached hereto are hereby incorporated herein by this reference.

4. Time is of the essence with respect to Developer's agreement to execute Franchise Agreements and commence operations at the Franchises in accordance with requirements of this Agreement.

H. **Attorneys' Fees.** In the event any legal proceedings between the parties hereto arise under this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs from the other party.

I. **Modification**. This instrument contains the entire agreement between the parties relating to the subject matter hereof. Any oral representations or modifications concerning this Agreement shall be of no force or effect unless a subsequent modification in writing is signed by the parties hereto.

X. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. **No Fiduciary Relationship.** It is understood and agreed by the parties hereto that this Agreement does not establish a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

B. **Developer is an Independent Contractor.** During the Term of this Agreement, and any Successor Terms or extensions hereof, Developer shall hold itself out to the public as an independent contractor operating its business pursuant to a Franchise Agreement with Zen Massage. Developer agrees to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact, the content and display of which Zen Massage shall have the right to specify.

C. **Zen Massage Not Liable for Acts of Developer.** Developer understands and agrees that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty or representation on Zen Massage's behalf, or to incur any debt or other obligation in Zen Massage name, and that Zen Massage shall in no event assume liability for, or be deemed liable hereunder as a result of any such action, or by reason of any act or omission of Developer in its conduct of the Center's business, or any claim or judgment arising therefrom against Zen Massage. Developer shall indemnify and hold Zen Massage, its affiliates and their respective officers, directors, shareholders, employees and agents harmless against any and all liabilities, claims, actions, losses, damages and expenses, including reasonable attorney's fees, ("Liabilities") arising out of or relating to Developer's operation of the Center(s).

XI. NOTICES

All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing documentation of receipt, to the addresses of Franchisor or Developer, as applicable, specified in the preamble on the first page of this Agreement, or at such other addresses as Franchisor or Developer may designate in writing from time to time, and shall be deemed delivered (a) on the date shown on the return receipt or in the courier's records as the date of delivery or (b) on the date of first attempted delivery, if actual delivery cannot for any reason be made.

XII. ENTITY DEVELOPER

If Developer is an entity, the following requirements shall apply:

A. Developer has furnished to Franchisor a complete and accurate list of all of the equity owners of Developer (the "Equity Owners") and shall promptly provide an updated list to Franchisor as necessary to reflect any changes in ownership;

B. Developers shall cause each Equity Owner to guarantee Developer's performance hereunder and to perform and discharge certain obligations under this Agreement by entering into the Payment and Performance Guarantee attached hereto. Developer hereby represents that the Equity Owners are the only persons that hold an equity interest in Developer; and

C. Developer has caused all of the Equity Owners to read and approve this Agreement, including any restrictions which this Agreement places upon their right to transfer their equity securities.

XIII. AUTHORIZED OFFICERS

Except for those officers specifically named on Exhibit C hereto, no other person or entity is authorized to act on behalf of Developer with respect to any right or obligation of Developer under this Agreement or other similar agreement between Developer and Franchisor. Developer agrees to update the authorized persons set forth on Exhibit C promptly following the cessation of such persons' authorization to act on behalf of Developer.

XIV. SPECIAL REPRESENTATIONS

Developer (and each Equity Owner if Developer is an entity) hereby represents as follows:

A. **THAT HE OR SHE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF ZEN MASSAGE BUSINESS AND SYSTEM AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF DEVELOPER AS AN INDEPENDENT BUSINESS PERSON. ZEN MASSAGE EXPRESSLY DISCLAIMS THE MAKING OF, AND DEVELOPER ACKNOWLEDGES THAT IT HAS NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT;**

B. Developer acknowledges having received, read, and understood this Agreement, including all Exhibits hereto; and Developer further acknowledges that Zen Massage has accorded Developer ample time and opportunity to consult with advisors of his/her own choosing about the potential benefits and risks of entering into this Agreement;

C. Developer acknowledges that it has received a complete copy of this Agreement, attachments referred to herein, and agreements relating hereto, if any, at least seven (7) calendar days prior to the date on which this Agreement was executed, and that this Agreement has not been unilaterally and materially altered by Zen Massage within such seven (7) day period. Developer further acknowledges that it has received the disclosure document required by the Trade Regulation Rule of the Federal Trade Commission, entitled "Information For Prospective Franchisees Required By The Federal Trade Commission," at least fourteen (14) calendar days prior to the date on which this Agreement was executed; and

D. Developer also acknowledges that prior to the date of this Agreement, no other Area Development Agreement was entered into with respect to the Development Area, no promises were made by Zen Massage, and no funds were offered to or accepted by Zen Massage.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the Effective Date.

FRANCHISOR:

ZEN MASSAGE FRANCHISING, INC.

By: ______________________________

Print Name: ________________________

Title: _____________________________

DEVELOPER:

[**XXXX]**

By: ______________________________

Print Name: ________________________

Title: _____________________________

By: ______________________________

Print Name: ________________________

Title: _____________________________

EXHIBIT A
TO AREA DEVELOPMENT AGREEMENT

Proprietary Marks

"ZEN MASSAGE®"	"ZEN MASSAGE CENTER"	"NO CONTRACTS. NO MEMBERSHIP FEES. JUST AHHH!"
"CLOSE YOUR EYES AND COUNT TO ZEN®"	"NO CONTRACTS. NO MEMBERSHIP FEES. NO HAS-SLES!"	OUR "DESIGN OF LOTUS" IMAGE
NO CONTRACTS NO MEMBERSHIP FEES JUST "AAAAH…"		

EXHIBIT B
TO
AREA DEVELOPMENT AGREEMENT

Miscellaneous

1. **Development Area(s)** *(pursuant to Section I(A))*:

A. ____

B. ____

C. ____

D. ____

E. ____

2. **Development Schedule** *(pursuant to Section I(A))* : **[**DUPLICATE SCHEDULE FOR MULTIPLE DEVELOPMENT AREAS**]**

Developer agrees to open and operate a total of ___ Franchises within the [___________] **[**IF MULTIPLE DEVELOPMENT AREAS, IDENTIFY APPLICABLE AREA**]** Development Area during the Initial Term according to the following Development Schedule:

Franchise	Last Day for Executing Franchise Agreement and Paying Outstanding Fees	*Last Day for Opening the Franchise*
1	**[the Effective Date]**	_____________, 20___
2	_____________, 20___	_____________, 20___
3	_____________, 20___	_____________, 20___

4	_____________, 20___	_____________, 20___
5	_____________, 20___	_____________, 20___

3. **Development Fee and Initial Franchise Fees** *(pursuant to Section III)*

The Development Fee is $______________, and is payable **[**upon execution of this Agreement**]** – **OR- [**as follows:

i. $______ is due upon the execution of the Area Development Agreement
ii. $______ is due on ____________, ______
iii. $______ is due on __________, _______ **]**

[CHOOSE ONE OF THE FOLLOWING THREE OPTIONS AND DELETE THE TEXT IN ITALICS AND THE TWO OPTIONS NOT CHOSEN:]

Option 1: [No Initial Franchise Fee during Term]

In consideration of Developer's payment of the Development Fee, Franchisor waives all Initial Franchise Fees due under Franchise Agreements executed during the Initial Term pursuant to this Agreement.

Option 2: [Initial Franchise Fee charged during Term; credit given for a portion of Development Fee as specified]

The Development Fee shall be credited towards the Initial Franchise Fee under each Franchise Agreement as specified below:

Franchise	Initial Franchise Fee	*Amount of Development Fee to be Applied Towards Initial Franchise Fee*
1		
2		
3		

	____________________	____________________
4	____________________	____________________
5	____________________	____________________

Option 3: [Initial Franchise Fee during Initial Term is specified; no credit given for a portion of Development Fee]

Developer shall pay an Initial Franchise Fee of $______ per Center developed within the Development Area under each Franchise Agreement executed during the Term.

4. **Additional Terms**
[Include additional terms if necessary]

EXHIBIT C
TO
AREA DEVELOPMENT AGREEMENT

Certificate of Authorized Officers

The undersigned officer or officers, all duly appointed, qualified and acting officers of Developer, hereby do certify to Franchisor that the persons named below are: (1) the duly appointed or elected officers in the offices of Developer set forth opposite their respective names and (2) are authorized to act on behalf of Developer with respect to any right or obligation of Developer under any Franchise Agreement, Area Development Agreement, or other similar agreement between Developer and Franchisor:

Name	Title	Signature
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________

(Please attach additional signature sheets if more space is required.)

I, the undersigned, agree to update this Certificate if any information contained herein is no longer accurate.

Date: ______________________________

______________________________	______________________________
Print Name: ______________________	Print Name: ______________________
Title: ______________________	Title: ______________________

Payment and Performance Guarantee

In order to induce **ZEN MASSAGE FRANCHISING, INC.** (**"Franchisor"**) to enter into a certain Area Development Agreement (the **"Area Development Agreement"**) by and between Franchisor and the Developer named in the Area Development Agreement to which this Payment and Performance Guarantee (the **"Guarantee"**) is attached, the undersigned (collectively referred to as the **"Guarantors"** and individually referred to as a **"Guarantor"**) hereby covenant and agree as follows:

1. <u>Guarantee of Payment and Performance</u>. The Guarantors jointly, severally and unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Developer to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Area Development Agreement or otherwise, together with any extension, renewal or modification thereof in whole or in part (the **"Guaranteed Liabilities"**), and agree that if any of the Guaranteed Liabilities is not so paid or performed by Developer when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.

2. <u>Waivers by Guarantors</u>. The Guarantors waive presentment, demand, notice of dishonor, protest and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes or controversies between Franchisor and Developer and of the settlement, compromise or adjustment thereof. This Guarantee is primary and not secondary, and shall be enforceable without Franchisor having to proceed first against Developer or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee shall be effective regardless of the insolvency of Developer by operation of law, any reorganization, merger or consolidation of Developer, or any change in the ownership of Developer.

3. <u>Term; No Waiver</u>. This Guarantee shall be irrevocable, absolute and unconditional and shall remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Developer to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy shall preclude other further exercise of such right or any other right or remedy.

4. <u>Other Covenants</u>. Each of the Guarantors agrees to comply with the provisions of **Sections V, VII** and **VIII** of the Area Development Agreement as though he or she were the "Developer" named therein and agrees that he or she shall take any and all actions as may be necessary or appropriate to cause Developer to comply with the Area Development Agreement and shall not take any action that would cause Developer to be in breach of the Area Development Agreement.

5. <u>Arbitration</u>. **Section IX(A)** of the Area Development Agreement is hereby incorporated herein by reference and shall be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Developer" referred to therein. If Developer is a party to any such arbitration, then the arbitrator appointed by Developer shall be deemed the arbitrator appointed by the Guarantors, or any of them. This consent, being coupled with an interest, shall survive the death, dissolution or any other incapacity of each of the Guarantors.

6. Governing Law; Choice of Forum. Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act, 15 U.S.C., Section 1051 et. seq.) and the United States Arbitration Act (9 USC § 1, et. seq.), this Guarantee shall be governed by the laws of the State of North Carolina. Any litigation relating to matters not required to be arbitrated as provided in **Section 5** above, shall be brought exclusively in the county of the state court or the district of the federal court of competent jurisdiction where Franchisor maintains its principal place of business. Each Guarantor hereby consents to the exclusive jurisdiction of such courts and waives any defense that such court lacks exclusive jurisdiction or venue with respect to such proceeding.

7. Miscellaneous. This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

____

Print Name: ______________________

____

Print Name: ______________________

____

Print Name: ______________________

____

Print Name: ______________________

EXHIBIT K
TO
FRANCHISE DISCLOSURE DOCUMENT

State Specific Addenda to the Area Development Agreement

See attached.

Multi-State Amendment
To Area Development Agreement
(For the following States: CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI)

This Amendment pertains to franchises sold in the state that have adopted as law the NASAA Statement of Policy Regarding the Use of Franchise Questionnaires and Acknowledgements (the "SOP") and is for the purpose of complying with the statutes and regulations of such states. Signing this Amendment where the SOP, because applicable jurisdictional requirements are not met, does not subject the parties to the provisions of the SOP. Notwithstanding anything which may be contained in the body of the Multi Unit Development Agreement to the contrary, the Agreement is amended to include the following:

Franchisor and Franchisee hereby agree that the Multi Unit Development Agreement dated _____ ____________, 20__, will be amended as follows:

1. The following language is added immediately before the signature block of the Multi Unit Development Agreement:

> "No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise."

IN WITNESS WHEREOF, Franchisor and Franchisee have duly executed and delivered this Amendment as of the date set forth above.

Franchisor:	Franchisee:
______________________________	______________________________
By: __________________________	By: __________________________
Its: __________________________	Its: __________________________
Date of signature: ______________	Date of signature: ______________

EXHIBIT L
TO
FRANCHISE DISCLOSURE DOCUMENT

Franchise Disclosure Questionnaire

Zen Massage Franchising, Inc. ("we" or "us"), and you are preparing to enter into a Franchise Agreement for the operation of a Zen Massage franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by existing franchisees, employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker"), that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) 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 Franchisor.

In the event that you are intending to purchase an existing Center from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement. Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer in the table provided below.

Please circle to answer each response.

l. Yes No Have you received and personally reviewed the Franchise Agreement, (and Area Development Agreement, if applicable) and each attachment or exhibit attached to it that we provided?

2. Yes No Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?

3. Yes No Did you sign a receipt for the Franchise Disclosure Document indicating the date that you received it?

4. Yes No Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement, and (and Area Development Agreement, if applicable)?

5. Yes No Have you reviewed the Franchise Disclosure Document, Franchise Agreement, (and Area Development Agreement, if applicable) with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?

6. Yes No Have you had the opportunity to discuss the benefits and risks of developing and operating a Zen Massage Franchise with an existing Zen Massage franchisee?

7. Yes No Do you understand the risks of developing and operating a Zen Massage Franchise?

8. Yes No Do you understand the success or failure of your Zen Massage Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?

9. Yes No Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be litigated in North Carolina, if not resolved informally or by mediation (subject to state law)?

10. Yes No Do you understand that you must satisfactorily complete the initial training program before we will allow your Zen Massage Franchise to open or within a specified time following our consent to a transfer of the Zen Massage Franchise to you?

11. Yes No Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Zen Massage Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

12. Yes No Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

13. Yes No Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Zen Massage Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

14. Yes No Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Zen Massage Franchise?

15. Yes No Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

16. Yes No YOU UNDERSTAND THAT BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

____________________________ ________________________________

Date:______________________________ Date:___________________________

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

California	Not registered
Hawaii	Not registered
Illinois	Not registered
Indiana	Not registered
Maryland	Not registered
Michigan	Not registered
Minnesota	Not registered
New York	Not registered
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	Pending
Washington	Not registered
Wisconsin	Not registered

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Item 23. 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 Zen Massage Franchising, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. However, some state franchise laws, including but not limited to laws in the State of Maryland, require Franchisor to provide this disclosure document to you at the first personal meeting held to discuss the franchise sale or at least 10 business 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.

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

Our franchise sellers are: □ Keith Larson, Chief Executive Officer, 19911 Zion Avenue, Ste. D-1 Cornelius, NC 28031, 980-689-2760 ; □ Gary Occhiogrosso, 700-76 Broadway, Suite 108, Westwood, NJ 07675, 980-689-2760; □ Aimée L. Kirvan, 3 Glen Burnie Court, Sicklerville, NJ 08081, 856-534-6727; or □ ________________, ______________________________________ (address), ____________ (phone number).

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

The issuance date of this disclosure document is April 29, 2025.

Zen Massage Franchising, Inc. authorizes the respective state agents identified on Exhibit I to receive service of process of us in the particular states.

I received a disclosure document from Franchisor dated as of April 29, 2025 that included the following Exhibits:

Exhibit A. Audited Financial Statements
Exhibit B. State Specific Addenda to the Disclosure Document
Exhibit C. Franchise Agreement
Exhibit D. State Specific Addenda to the Franchise Agreement
Exhibit E. List of All Franchisees and Former Franchisees
Exhibit F. Table of Contents of Manual
Exhibit G. Intentionally Omitted

Exhibit H.	List of State Administrators
Exhibit I.	List of Agents for Service of Process
Exhibit J.	Area Development Agreement
Exhibit K.	State Specific Addenda to the Area Development Agreement

______________________________________ Date:___________________________

Prospective Franchisee

______________________________________ Date:___________________________

Prospective Franchisee

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