

INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION



TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY ALSO BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION
Washington, D.C. 20580

| Date of Issuance: ~~October 27, 2003~~ _____



RELAX THE BACK

FRANCHISE OFFERING CIRCULAR
Relax The Back Corporation
a Delaware corporation
17785 Center Court Drive, Suite 250
Cerritos, CA 90703
(800) 290-2225
www.RelaxTheBack.com

The Franchisee will operate a retail store featuring back-related equipment, furniture and products the Franchisor approves under the trade name "Relax The Back". We also offer Area Development Agreement on a limited basis.

The initial franchise fee is ~~\$2530,000~~. Under current policy, which may change, additional franchises have an initial franchise fee of \$4520,000. The initial franchise fee is due at the time you sign your Franchise Agreement. The estimated initial investment required ranges from \$213,700 to ~~\$333,000~~ ~~192,200~~ to \$320,500.

For Area Developers, there is a development fee of ~~\$5,000~~ \$7,500 for each location to be opened, due at the time you sign your Area Development Agreement, along with an initial franchise fee of \$25,000 for your first Store. For each subsequent Store opened under the Area Development Agreement an initial franchise fee of \$4520,000 (less the ~~\$5,000~~ \$7,500 per location paid through the Development Fee) is due at the time the Franchise Agreement is signed.

Risk Factors:

THE FRANCHISE AGREEMENT AND THE AREA DEVELOPMENT AGREEMENT PERMITS THE FRANCHISEE TO ARBITRATE OR LITIGATE WITH US ONLY IN CALIFORNIA. OUT OF STATE OR AREA ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH US IN THE LOCATION WE SELECT THAN IN YOUR HOME STATE.

THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT STATE THAT DELAWARE LAW GOVERNS THESE AGREEMENTS, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Information about comparisons of franchisors is available. Call the state administrators listed in Exhibit E or your public library for sources of information.

Registration of this franchise by a state does not mean that the state recommends it or has verified the information in this offering circular. If you learn that anything in the offering circular is untrue, contact the Federal Trade Commission and the state authority listed in Exhibit E.

Effective Date of this Offering Circular is _____, 2004, unless otherwise noted on an addendum for your state included in Exhibit H of this Offering Circular. ~~Effective Date: See Addendum for your state in Exhibit H~~

DISCLOSURES REQUIRED BY MICHIGAN LAW

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:

**ADMINISTRATOR
CONSUMER PROTECTION DIVISION
ANTITRUST AND FRANCHISE UNIT
MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL
P. O. BOX 30213
LANSING, MICHIGAN 48909
(517) 373-7117**

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ITEM 1 THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

This Offering Circular sets forth the terms and conditions on which we currently offer franchises in this state. The descriptions of various documents are required to be brief and are for general informational purposes only. The actual documents will control in any case, and you should refer to the Franchise Agreement and other exhibits for more complete information. You are urged to carefully review this Offering Circular and all documents with independent advisors who can provide legal, business and/or economic guidance. This recommendation applies to persons acquiring a new franchise, as well as to those involved in a renewal, replacement or transfer of an existing Franchise Agreement and who may want to compare prior agreements.

The Franchisor

The Franchisor is Relax The Back Corporation (formerly known as "RTB Acquisition Corporation"). To simplify the language in this Offering Circular, Relax The Back Corporation will be referred to as "we," "us," "RTB" or "RTBC". We will refer to the person who buys the franchise as "you" throughout the Offering Circular, as well as to your owners, if you are a corporation, partnership or other entity.

We were formed in Delaware on November 17, 2000, for the purpose of acquiring and operating the Relax The Back[®] franchise system. Our principal business address is 17785 Center Court Drive, Suite 250, Cerritos, CA 90703. The original Relax The Back Corporation, our predecessor company, sold substantially all its assets to us on May 31, 2001. We will refer to this previous Relax The Back Corporation as "our Predecessor" throughout this Offering Circular. Our Predecessor's principal business address was 10350 Heritage Park Drive, Suite 202, Santa Fe Springs, CA 90670.

We filed a Certificate of Amendment in Delaware on February 27, 2003 to change our name from RTB Acquisition Corporation to Relax The Back Corporation. We also have filed in California a Name Change Certificate of Qualification as Relax The Back Corporation. To the extent we operate in any states other than California and Delaware, we now operate under our new name, except in a few states. To the extent we actually operate in New York and New Jersey, we operate under the name, "Delaware Relax The Back Corporation." In other states where we are unable to use "Relax the Back Corporation," we will use "Delaware Relax The Back" or "RTB Acquisition Corporation." Both company-owned and franchised retail locations do business under the trade name "Relax The Back[®]".

Our Predecessor was formed on August 6, 1996, in the state of Delaware for the purpose of acquiring the Relax The Back[®] franchise system from Relax The Back Franchising Company. Relax The Back Franchising Company, a corporation, was formed in Texas in September, 1989. Its principal business address was 900 Congress Avenue, Suite 400, Austin, TX 78701. Through an affiliate Texas corporation, Relax The Back/ARC Enterprises, Inc., Relax The Back Franchising Company operated a company-owned Relax The Back[®] store from 1988 to August 30, 1996, when our Predecessor acquired it and a second Austin store (opened July, 1996) to operate as company stores.

The first Relax The Back[®] Store was founded in 1984 by Dr. John Schepman, D.O., who recognized through his practice the need for a central source of supplies for individuals with back problems. The founder of the Relax The Back[®] franchise system, Ms. Virginia Rogers, purchased that store in 1988 and capitalized on this unique concept by expanding the store's marketing efforts, product development and diversification.

We also have an affiliate, BackSaver Acquisition Corp. ("BAC"). BAC was formed on January 23, 2001 in the state of Delaware and established for the purpose of acquiring on May 31, 2001, substantially all of the assets of BackSaver Products Co., also a Delaware corporation. BackSaver Products Co. was a wholly owned subsidiary of our Predecessor. On February 1, 2002, we acquired BackSaver.com, which

was merged into us. Prior to that, BackSaver.com was a separate corporation and was formed in the state of Delaware on June 17, 1999. The principal business address for BAC is 53 Jeffrey Avenue, Holliston, MA 01746. This was also the principal business address for BackSaver Products Co. Prior to our acquisition of it, BackSaver.com was headquartered in Santa Fe Springs, CA.

Our agents for service of process are disclosed in Exhibit E.

The Franchise and Development Rights Offered

We are offering franchises with this Offering Circular. Our Predecessor began offering franchises in 1996, when it acquired Relax The Back Franchising Company, which had begun offering Relax The Back franchises in 1989. We acquired the then existing Relax The Back franchise agreements from our predecessor in May, 2001. As of ~~January-December 31, 2003~~, we have ~~72-86~~ existing franchises (the "Existing Franchisees"). ~~Each~~ **A majority** of these franchisees are operating under franchise agreements that differ in material ways from the franchise agreement offered under this Offering Circular. Some but not all of those differences are noted in this Offering Circular.

We offer Relax The Back[®] franchises, granting the right to operate retail stores selling back-related products from an approved location under our trade name of "Relax The Back". Our current form of Franchise Agreement and related documents are attached to this Offering Circular as Exhibit A. A Relax The Back[®] Store is a carefully designed concept, specializing in products for the relief, prevention, care and treatment of back pain and discomfort. The franchise offers guidance and assistance; distinctive interior design and operating specifications; and training in site selection, marketing, purchasing, store layout, signage, business operations, inventory and accounting systems. ~~Stores depend on serving a large volume of customers for their success. For that reason, they~~ Stores are usually located within shopping centers and inline locations in retail space averaging 1,800 to 3,000 square feet. We currently have more than ~~2,000~~ **1,000** approved items purchased directly by franchisees from more than ~~125-75~~ different suppliers. We also have an Area Development program available to qualified candidates for development of an agreed upon number of Relax The Back[®] Franchise Businesses within a designated geographic area.

Products are marketed to customers of all ages and economic levels, but we have found the majority of our company Store customers to be between ages 35 to 54 and with annual household incomes of \$84,000 or more. You should expect competition with a variety of local retail stores, as well as internet sites and direct mail marketers of back related products. BAC approves retailers to distribute its products, including Relax The Back[®] stores and other competing outlets. There will be some (but not all) BAC products that are and/or will be exclusive to the Relax The Back[®] system.

As of ~~January-December 31, 2003~~ **2003**, we own and operate ~~8-~~ **3** Relax The Back[®] stores in California ~~and 1 in Connecticut~~. **We plan to either sell, transfer or close these Stores in 2004.** ~~We may or may not choose to sell or grant franchises for any of these store locations.~~

In addition to operating and franchising Relax The Back[®] stores, we market BAC products and back related products from other vendors through a direct mail catalogue and an internet web site promoting the Relax The Back[®] marks, trade name, and the Relax The Back system (our Relax The Back.com operations). Sales through these channels may be made to customers located anywhere, including in your marketing area. (See Items 8 and 12 for more information on our website and catalogue product marketing).

Some jurisdictions require that sellers of bedding and other home furnishings products be licensed. There may be laws and regulations in your state that apply to the operation of a retail unit selling products such as those offered by our franchisees. In addition, you will need to identify the typical, general laws affecting any retail business. You will be required to comply with all applicable local, state

and federal laws in the operation of your franchise. We urge you to make further inquiries about these laws.

Neither we, nor our affiliates, nor our Predecessor have offered, or do offer, franchises in other lines of business.

A fundamental requirement of your joining and remaining part of the Relax The Back[®] System will be your commitment to the operation of your Relax The Back[®] Franchise in accordance with the Relax The Back[®] System Standards. During the term of the Franchise Agreement, you must, at all times, develop, maintain and operate your Relax The Back[®] Franchise in compliance with all Relax The Back[®] System Standards, as modified by us in the future.

We may offer (and our Predecessor has offered) Relax The Back[®] franchises (and/or Area Development Agreements) on economic and/or other terms which differ from those offered by this Offering Circular. Also, there may be instances where we will vary the terms on which we offer franchises to suit the circumstances of a particular transaction. In some cases, other franchisees' terms may be more favorable than the terms contained in the Franchise Agreement offered under this Offering Circular. We strongly urge you to carefully review all documents and this Offering Circular with independent advisors who can provide legal, business and/or economic guidance, including a comparison to any prior Agreement if a renewal or replacement of an existing Franchise Agreement is involved.

The purchase of a Relax The Back[®] (or any other) franchise is a speculative investment. Significant investment beyond that outlined in this Offering Circular may be required to succeed. There are no guarantees of success, and the most important factors in the success of any Relax The Back[®] Business are your personal business, marketing, management, judgment and other skills and your willingness to work hard and diligently follow the Relax The Back[®] System Standards.

ITEM 2 BUSINESS EXPERIENCE

Director: Michael K. Lee

Mr. Lee has served on our Board of Directors since our formation. Mr. Lee was a member of the Board of Directors for our Predecessor starting in August, 1996. Since 1985, Mr. Lee has been President of Dominion Ventures, Inc., a venture capital company in San Francisco, CA and one of our investors.

Director: Nathan W. Bell

Mr. Bell has served on our Board of Directors since our formation. Mr. Bell was a member of the Board of Directors for our Predecessor starting in August, 1996. From March 1994 to present, Mr. Bell has been General Partner of Pacific Private Capital, a partnership serving as the General Partner of Pacific Mezzanine Fund, a limited partnership, in Los Angeles, CA.

Director: Marvin Storm

Mr. Storm has served on our Board of Directors since our formation. In 1999, he became CEO of Navis Logistics Network located in Englewood, CO, and presently holds that position. From 1985 to 1999, Mr. Storm operated seven 7 Packaging Store franchises and developed a total of 18 stores in the San Francisco Bay Area. From 1991 to 2001 he was a Master Franchisee/Area Developer based in Moraga, CA for five franchise companies, awarding and/or managing approximately 100 franchises.

Director, President, and Chief Executive Officer: Richard W. Palfreyman

Mr. Palfreyman has been President and Chief Executive Officer since November 2001. As such he is responsible for all aspects of our activities, under the direction of the Board of Directors. Mr. Palfreyman has over 37 years of experience in a broad range of businesses. From October 2000 to July 2001, he was the Chief Operating Officer/Chief Financial Officer of Spa Finder, Inc. in New York City. From October 1997 until July 2000, he was Chief Operating Officer/Chief Financial Officer of Spectra Entertainment in Moorpark, CA. ~~From March 1995 until September 1997, he was the Chief Operating Officer of Accountants 4 Contract in San Francisco, CA.~~

Senior Vice President of Franchising: David Lamb

Mr. Lamb joined us in September of 2001, assuming his present position at that time. From 1998 to 2001, he was Director of Franchising with Franchise Development Center in Atlanta, GA. He has over 20 years of franchising experience with companies such as Haagen Dazs, Great Clips, California Closets and Deck The Walls. ~~Prior to that, he was Director of Development for Franchise Concepts, Inc. of Houston, TX from 1997 to 1998. Mr. Lamb served as Regional Director of Great Clips Regional Companies in Minneapolis, MN from 1994 to 1997.~~

Chief Operations Officer: John Montgomery

Mr. Montgomery has 20 years of management experience in finance, operations and systems development. He joined us in August 2003 as Chief Operations Officer. From June 2001 to March 2003, Mr. Montgomery served as Chief Financial Officer of Aptas, Inc., a software development firm headquartered in Denver, Colorado. He was employed by Amplespace (a broadband service provider located in Milpitas, California) from January 2000 until October 2000 as Chief Operations Officer. In 1994, he founded Prime One TeleTV, a wireless digital cable system, and served as its CFO from 1996 until selling the business in 2000.

Vice President of Marketing: Leanne Mattes

Ms. Mattes joined us in July 2001. From September 1997 to July 2001, Ms. Mattes was a Senior Retail Analyst with Ambrosi, one of the largest print advertising agencies in the nation. ~~From 1996 to September 1997, Ms. Mattes was the V.P. of Marketing for KidsMart, a specialty retailer of apparel and accessories for children, with 300 locations nationwide.~~

Vice President of Operations: David Purves

Mr. Purves joined us in February 2003. From 1998 to 2003 he was Director of Training and Development for Sir Speedy, Inc. in Mission Viejo, California. ~~From 1988 to 1998 he was self-employed as a management consultant, freelance writer and business owner.~~

Vice President of Finance and Controller: Nick Bahl

Mr. Bahl joined us in ~~September 2002~~ October 1998. Mr. Bahl has 15 years of financial retail and manufacturing experience with companies such as Scintrex Limited, Décor Concepts, Little Tikes Commercial play systems. Prior to joining us, he was a Controller for Mendelson and Associates, a fine jewelry manufacturer and retailer. Mr. Bahl has an ownership interest in a franchisee that owns 4 franchised Stores in southern California.

Vice President of Merchandising: J.D. Nespoli

Mr. Nespoli has 27 years of retail merchandising experience. He joined us as our Vice President of Merchandising in September 2003. From 1997 to August 2003, he served as the Director of

Merchandising for Evolution Furniture Company, an independently owned home furnishings company based in the Bay Area of California.

Director of Franchise Sales: Michael Conigliaro

Mr. Conigliaro joined us in April 2003. From 1998 to March 2003, Mr. Conigliaro was the Franchise Development Manager with Gold's Gym Franchising, Inc. Mr. Conigliaro's responsibilities included Sales, Franchise Advertising and Marketing, as well as training. ~~From 1997 to 1998, Mr. Conigliaro was an Executive Search Consultant with Evie Kriesler & Associates which specialized in the placement of retail, wholesale and manufacturing executives.~~

Franchise Brokers and Referral Programs

We use Franchise Brokers to sell franchises. Please see Exhibit I for our current list of Franchise Brokers.

~~We have also instituted a referral fee program to recognize the contribution that our franchisees make to the growth of the franchise system by referring franchise candidates to us. To any existing franchisee who refers someone to us who is awarded a franchise, we will pay a referral fee of \$1,000 for the new franchisee's first store when opened, and \$250 for any additional stores opened under the same franchisee's Area Development Agreement, if applicable. This referral fee is payable through a royalty credit.~~

~~We have also instituted a referral program for selected vendors. To select vendor employees that refer to us someone who is awarded a franchise, we will pay a referral fee of \$1,000 for the new franchisee's first store when opened and \$250 for any additional stores opened under the same franchisee's Area Development Agreement, if applicable.~~

~~We can change and/or eliminate either or both of the above described referral policies at any time.~~

ITEM 3 LITIGATION

RTB Acquisition Corp. vs. Coby Dietrick (American Arbitration Association Case No. 701140035902 (San Antonio, TX); Case Number SA-02CA0260-OG, U.S. District Court, Western District of Texas, San Antonio Division). On March 15, 2002 RTB Acquisition Corporation filed a complaint alleging that Coby Dietrick, a San Antonio Relax The Back® franchisee, defaulted on his Franchise Agreement by failing to pay royalties, leaving the system without de-identifying the store. The action sought an injunction against continued competition and use of the Marks, lost royalties in excess of \$50,000, and unspecified lost future royalties. On April 11, 2002 Dietrick filed a counterclaim and sought a declaration by the Court that he is not bound by the Agreement. On April 29, 2002, the parties stipulated to submit their disputes to arbitration, and the Court dismissed the case, retaining jurisdiction to enforce the Agreement and the Court's order requiring Dietrick to de-identify, to refrain from infringing use of the Marks, and to return to RTB Acquisition Corporation's Trade Secrets. RTBAC filed a demand for arbitration similar to the described U.S. District Court complaint. On June 24, 2002, Dietrick filed a counterclaim alleging fraud in the inducement of the Franchise Agreement and seeking declaratory relief providing that he is not bound by the agreement or the non-compete provisions thereof, is not infringing the marks and that any performance under the agreement by him is excused by the Franchisor's failure to perform. The matter was then submitted to mediation, but failed to settle. The matter then was submitted to arbitration. On the first day of arbitration, a formula for settlement was accepted by the parties which requires Dietrick to sell his business to the Franchisor or a qualified prospective franchisee and to agree not to compete for a period of time. Dietrick is licensed to use the Relax The Back brand in exchange for

royalty payments until a transfer occurs. If a sale to a third party is not made within a prescribed timeframe, then the Franchisor must buy the store inventory and assets. The final settlement agreement was signed September 30, 2003, and a Consent Award was entered on October 23, 2003. ~~The settlement is presently being memorialized in a formal settlement agreement and consent award.~~

RTB Acquisition Corp. vs. Hunter C. Sledd III and Digby, Inc. (Case number 72 114 00316 02 MAPU, American Arbitration Association, Fresno Office). On March 15, 2002, RTB Acquisition Corporation filed for arbitration under Franchise Agreements between its predecessor and former franchisee Hunter C. Sledd. RTBAC's demand alleges that Sledd abandoned and sold his four units to a competitor without its consent, leaving unpaid royalties to RTBAC, as well as unpaid bills to the predecessor affiliate, BackSaver Products Co., all in violation of the Agreements. RTBAC sought damages in the amount of \$300,000 for arrearages to RTBAC and BackSaver, for future lost royalties and for failure to pay transfer fees. On May 7, 2002, Sledd filed a counterclaim with AAA seeking unspecified damages. Sledd claimed that, for one of the franchises he purchased, RTBAC's predecessor failed to deliver an Offering Circular that conformed to Maryland law. The matter went to arbitration and the Arbitrator issued an award dismissing all claims.

The following action involved the company from which our Predecessor acquired the franchise system:

On April 4, 1994, Relax The Back Franchising Company ("RTBFC"), terminated Jim and Monika Webb's Franchise Agreements for two Relax The Back® Stores in Houston, Texas for non-payment of royalties and advertising fees and other performance defaults. They filed a demand for arbitration with the American Arbitration Association in Houston, Texas (Case Number B-70-114-002-94-B, Jim and Monika Webb v. Relax The Back Franchising Company), claiming breach of contract and non-performance by RTBFC. On January 27, 1995, RTBFC settled the dispute by entering into confidential agreements in which the former franchisees paid RTBFC \$30,000, signed a release and license agreement and paid a fee to use its common law trademark, "The Back Store" at their current locations, and consented to a final judgment and permanent injunction regarding the ownership of our trademarks and proprietary material. In exchange, RTBFC released them from the balance of their non-competition restrictions, and they have removed all identification and trade dress associated with "Relax The Back®" stores.

Please see Exhibit I for a description of litigation involving a Franchise Brokers.

Other than the above 3 actions, no litigation is required to be disclosed in the Offering Circular.

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

ITEM 4 BANKRUPTCY

On November 8, 2000, our Predecessor filed a petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code. On May 2, 2001, the bankruptcy court approved the sale by our Predecessor of substantially all of its assets to us. The court also approved the sale by our Predecessor's subsidiaries, BackSaver Products Co. and BackSaver.com, of substantially all of their respective assets to our affiliate, BAC, on the same date. Our Predecessor obtained a dismissal from the Bankruptcy Court on June 13, 2001. (U.S. Bankruptcy Court for the Central District of California, Los Angeles Division, Cases LA-00-41435-AA and LA-00-41441-AA) Michael Lee and Nathan Bell, each of whom are identified in Item 2, above, were officers and/or directors of our Predecessor.

~~Additionally, Richard Palfreyman, our President and CEO, and a Director of the corporation, was Chief Financial Officer of Photo & Sound Company when it filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court, Northern District of California, San Francisco Division, on November 15, 1991. Upon the recommendation of the Unsecured Creditors Committee and with the approval of the Court, he was appointed President and Chief Executive Officer. The re-organization plan was confirmed by the court on October 21, 1993. The company was sold to a competitor shortly thereafter. (Case No. SF-91-34479-TC)~~

In 1997, Mr. Palfreyman was hired by Spectra F/X, Inc. (d/b/a Spectra Entertainment), which was then in the process of reorganization, and left in 2000, before the resolution of that process. That company had filed under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court, Central District of California, Northern Division, on May 2, 1997. The re-organization plan was confirmed by the court, on April 22, 1999. (Case No. ND-97-12264-RR)

Nathan Bell, our Chairman of the Board, was a General Partner in a firm that foreclosed on the secured assets of its debtor, Kleer Vu Plastics Corporation. For purposes of liquidating those assets, Mr. Bell was installed as CEO of Kleer Vu, and filed its bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court, Central District of California, Los Angeles Division, on March 10, 1997. Subsequently, this was converted to a Chapter 7 filing, and a discharge was obtained on June 3, 1997. (Case No. LA-97-18996-EC)

Other than the actions listed above, no person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5 INITIAL FRANCHISE FEE

Initial Franchise Fee

If you are awarded your first Relax The Back® Franchise Agreement under this Offering Circular, then you'll pay us an initial franchise fee of ~~\$25,000~~**\$30,000** for a single location franchise when signing the Franchise Agreement.

Under our current policy, if the award of this Franchise Agreement is for a second or subsequent Relax The Back franchise, then you'll pay us an initial franchise fee of ~~\$1520,000~~**\$1520,000** for a single location franchise when signing the Franchise Agreement. The initial franchise fee for franchisees opening a second or subsequent franchise under a currently effective Area Development Agreement will be the lesser of ~~\$1520,000~~**\$1520,000** or the fee described in their Area Development Agreement (see section below on the Development Fee). We have the right to eliminate or modify this policy at any time.

If you cannot locate a site acceptable to us within the necessary timeframe, and your Franchise Agreement is terminated for this reason, we will refund a portion of your Initial Franchise Fee. The refund will be either one half of the Initial Franchise Fee paid by you, or the Initial Franchise Fee minus our related costs, whichever refund amount is less. Costs may include legal fees, broker commissions, training expenses, among other costs. You (and each affiliate of yours) must sign for us a General Release of all claims which will be in our then current form. The current form of General Release typically used by us is attached as ~~Appendix Exhibit 1.2 (A)~~**Appendix Exhibit 1.2 (A)** of the Franchise Agreement. We may change this form in our business judgment. (See Item 11 for additional information on Site Selection).

Also, if we decide that you have not successfully completed your initial training, we may terminate the Franchise Agreement and/or any other agreements with you and refund to you either one half of the Initial Franchise Fee paid by you, or the Initial Franchise Fee minus our related costs,

whichever refund amount is less. Costs may include legal fees, broker commissions, training expenses, among other costs. ~~return the Initial Franchise Fee to you (less \$10,000 to cover our sales, training and other costs).~~ You are required to return all Manuals, and sign a General Release. We will release you from your obligations under the Franchise Agreement, except that your indemnity, non-competition, and confidentiality obligations and the dispute avoidance and resolution provisions will continue.

The Initial Franchise Fee is not refundable in any other circumstances.

Initial Marketing Package

You are required to purchase from us an initial marketing package prior to opening your Store. The current fee for the package is \$3,500. Package contents currently include various collateral materials, such as grand opening and "opening soon" banners and in-store displays. Both the contents and the fee are subject to adjustment by us to reflect changes in production costs, product promotions, advertising effectiveness, and other factors.

Area Development Fee

We offer, on a limited basis, a standard Area Development Agreement (the "ADA") for the establishment of one or more Stores in a specified geographical territory. ADAs may only be offered by us when and if we choose. Candidates must be experienced in Relax The Back® or similar store operations and/or must otherwise satisfy us that an ADA is appropriate for them, their resources and their business strategy. Individual Franchise Agreements will be signed for each Store to be opened under the ADA. The Development Fee is paid to us at the time of signing the ADA and is \$57,500 multiplied by the total number of Franchise locations to be opened under the ADA. When you sign the ADA, the Development Fee is fully earned by us in consideration for signing the ADA with you and is not refundable under any circumstances. At the time that you pay to us the Development Fee, you also will pay to us the Initial Franchise Fee (currently \$2530,000) for your first Relax The Back® Store Franchise Agreement. This Initial Franchise Fee for your first Store is entirely non-refundable. For the second and subsequent franchise locations, the Initial Franchise Fee is \$1520,000, and is non-refundable except in the limited instances described in the section above. Under the ADA, these Initial Fees are due at the signing of the Franchise Agreement related to the Development Unit, less the \$5,750 per location paid through the Development Fee. Subsequent Franchise Agreements must be signed by you along with a General Release, except for claims related only to the offer and sale of the Franchise then being awarded (if such an exception is required by applicable law) and applicable Initial Franchise Fees paid according to the schedule indicated in your Development Agreement.

ITEM 6 OTHER FEES¹

<u>Name of Fee</u>	<u>Amount</u>	<u>Due Date</u>	<u>Remarks</u>
Continuing Royalty ²	Up to 54% of Gross Volume Adjusted Gross Sales ³	By 10th day of each month for preceding month's Gross Volume Adjusted Gross Sales ³	Currently we require only 4% of Gross Volume Adjusted Gross Sales be paid. We have the right to require you to pay up to 5%, and will re-evaluate the level of contribution at least annually. May be reduced on certain commercial accounts. ²

Name of Fee	Amount	Due Date	Remarks
Marketing Fund Fee ⁴	Up to 2% of Gross Volume Adjusted Gross Sales ³	By 10th day of each month	Currently we require only 1% of Gross Volume Adjusted Gross Sales ³ be paid. We have the right to require you to pay up to 2%, and will re-evaluate the level of contribution at least annually.
Local Advertising ⁵	Greater of \$1,000 per month or 3% of preceding month's Gross Volume Adjusted Gross Sales ³	As incurred for local advertising	Subject to Franchise Agreement limitations, you control how funds are spent.
Training Costs ⁶	As incurred	As incurred	You must pay all costs for attending training, including travel, living, personnel compensation costs, and other expenses.
Initial Marketing Package Fee	\$3,500	Prior to opening	
Transfer Fee ⁷	\$7,55,000	Upon notice from you of proposed transfer	We may reduce, defer or waive this fee in individual cases. Same amount for ADA transfer, plus transfer fee for each unit. At our option, when new owner granted full 10 year franchise a pro rated initial franchise fee may be charged. ⁷
Audit Costs	Costs of audit, in addition to understated amounts	Upon receipt of invoice	Applies only if you fail to submit reports or you understate Adjusted Gross Sales Volume ³ by 2% or more. Includes all costs related to the inspection and audit, such as accounting and attorney fees, travel expenses, any employee compensation ⁸
Interest on Late Payments and/or Reports	Maximum legal interest (18% cap)	Payable on Demand	Not to exceed or violate any applicable legal restrictions.
Successor Franchise Fee	40% of then current Initial Franchise Fee for first franchise. Not currently being charged.	Payable with notice of election to renew; not less than 6 months before expiration of franchise term	Non-refundable unless successor agreement is denied. Current policy is not to charge successor franchise fee, but we can change this policy at any time.

Name of Fee	Amount	Due Date	Remarks
Management Fees	Reasonable amount; currently, these costs range from \$125 to \$200 per day plus costs	At time of occurrence	In the event of your disability, death, or default by you, we may operate the business on your behalf. We may pay ourselves for our management services plus other costs including compensation, travel, meals and incidental expenses of the manager.
Convention Costs ⁹	As Incurred	As incurred	Travel, lodging, food, and other expenses.
Grant of Security Interest ¹⁰	You grant us a security interest in assets/proceeds	Granted with Franchise Agreement	You must complete financing statements or other documents within 10 days of receipt from us

Items 7, 8, 9, 12 and 17 of this Offering Circular also provide information about costs that you may incur in connection with your Franchise Business.

1) All fees are imposed by and payable to us as provided in the Franchise Agreement, unless otherwise noted. All fees are non-refundable, unless otherwise stated. You must participate in our then-current reporting and funds transfer fee payment programs. If we implement one, you must participate in an electronic funds transfer and reporting program, which would authorize us to use a pre-authorized bank debit system. ~~and as we may change it.~~ We can apply any payments owed by you to any debt of yours that we choose (except for marketing fund payments), set off any amounts owed to you against any amount owed by you to us/certain third parties, and retain amounts received on your account for debts owed to us and/or certain other parties. We may elect to waive and/or credit, reduce or defer payment of any and all fees and charges of any kind in connection with the franchise on a case by case basis as we consider appropriate and as permitted by law. Existing Franchisees are operating under franchise agreements that are different in some material ways from the Franchise Agreement under this Offering Circular, including certain more favorable economic terms.

2) Royalty payments are due from the first month of your Relax The Back Store[®] operations. As significant discounting is usually necessary to make large Outside Sales, we currently allow franchisees who submit the required sales documentation the choice of paying either 4% of Gross Volume on outside sales or 8% of Gross Margin. "Gross Margin" is the Gross Volume on the outside sales, less the actual cost to you of goods sold. An "Outside Sale" is a single sale of 5 identical items with a total invoice cost of \$5,000 or more. ~~This alternative royalty is a matter of policy, and we reserve the right to modify or eliminate it at any time and however we choose.~~

3) "Gross Volume Adjusted Gross Sales" includes all revenues, except sales tax (collected and properly paid) and actual customer refunds, adjustments and credits, which are, or could be, received or earned by you (and/or any affiliate and/or on/for your behalf or benefit):

- (i) by, at or with respect to your Relax The Back[®] Store;
- (ii) which relate to the type of goods or services which are or could be provided, sold, rented or otherwise distributed at, through or in association with a Relax The Back[®] Store;
- (iii) with respect to any goods or services which are, or could be, distributed in association with the Marks or the Relax The Back[®] System, or the operation of any Similar Business (but our receipt of any royalties with respect to any Similar Business is not an approval of your involvement with any Similar Business); and/or

- (iv) with respect to any co-branding activities.

All sales and/or billings, whether collected or not, will be included in ~~Gross Volume Adjusted Gross Sales~~, with no deduction for credit card or other charges.

~~Gross Volume Adjusted Gross Sales is used to measure royalties owed. The Gross Volume Adjusted Gross Sales amount is actually an adjusted gross sales figure, since sales tax, customer refunds, and the other adjustments noted in the above definition are deducted from gross sales to arrive at Gross Volume Adjusted Gross Sales.~~

You are required to meet all financial obligations to us under the Franchise Agreement during any closure of your Relax The Back[®] S-store for any reason. Monthly ~~Gross Volume Adjusted Gross Sales~~ will be assumed to be the same as the average monthly ~~Gross Volume Adjusted Gross Sales~~ during the prior 12-month period. (See Section 10.7 of the Franchise Agreement for more information.)

Occasionally significant discounting is necessary to make large Outside Sales, we currently allow franchisees who submit the required sales documentation the choice of paying either 4% of ~~Gross Volume Adjusted Gross Sales~~ on outside sales or 8% of Gross Margin. "Gross Margin" is the ~~Gross Volume Adjusted Gross Sales~~ on the outside sales, less the actual cost to you of goods sold. An "Outside Sale" is a single sale of 5 identical items with a total invoice cost of \$5,000 or more. This alternative royalty is a matter of policy, and we reserve the right to modify or eliminate it at any time and however we choose.

4) If your ~~Gross Volume Adjusted Gross Sales~~ in any calendar year exceeds \$1,500,000, then your Marketing Fund contributions on ~~Gross Volume Adjusted Gross Sales~~ over \$1,500,000 will be 1% of ~~Gross Volume Adjusted Gross Sales~~ for the rest of that year, even if the then current contribution level is higher. Payments are due at the same time and in the same manner as royalties. (See Item 11 of this Offering Circular for additional information on the Marketing Fund).

5) You are required to submit verification of your expenditures in the form and at the times that we require them. (See Item 11 for restrictions on Local Marketing activities). If an ad co-op is formed, you will have to comply with its requirements, including any payment obligations. No such co-ops currently exist, but we reserve the right to form one at a later date.

6) The Initial Franchise Fee covers an initial training program that is mandatory for you and your initial Relax The Back[®] Store manager. The program is at a time and place, and for such period, as we choose. Subsequent managers also must attend and complete our training program to our satisfaction before managing your store operations. We can require successful completion of training by all of your supervisory personnel. We may charge a reasonable fee for training of subsequent managers and/or other supervisory personnel, unless otherwise expressly agreed by us in writing. You and your manager must attend additional and/or refresher training programs conducted at location(s) specified by us, including national and regional conferences, conventions and meetings. Your other employees may be required to attend mandatory training programs presented by us at your Relax The Back[®] Store. While we have in the past agreed not to charge certain franchisees any training fees, under the Franchise Agreement provided with this Offering Circular we have the right to charge reasonable fees for optional training programs. As a matter of policy, we are not currently charging you such fees, but we can change this policy at any time.

7) This fee will be refunded only if we refuse consent to the transfer, or we exercise our right-of-first-refusal. This fee will not be charged for transfers to an Immediate Family member, if that person has managed the Store for the previous two-2 years, or for transfers to wholly owned entities made by you within 90 days of acquiring this Franchise. (See Section 9.1 of the Franchise Agreement).

8) If any inspection or audit discloses an understatement of ~~Gross Volume~~ **Adjusted Gross Sales**, you are required to pay to us the royalties and Marketing Fund contributions due, plus interest, from the date originally due. If any inspection or audit is necessary because of your failure to timely furnish reports, supporting records, other information or financial statements; or if an understatement of ~~Gross Volume~~ **Adjusted Gross Sales** for any period is determined by any audit or inspection to be greater than 2%, you will reimburse us for the cost of the inspection or audit. If any audit reveals an intentional understatement of ~~Gross Volume~~ **Adjusted Gross Sales** for any period in any amount, or an understatement (whether intentional or not) of ~~Gross Volume~~ **Adjusted Gross Sales** greater than 10%, we may terminate the Franchise Agreement, in addition to all other remedies and rights of ours.

9) Convention attendance is mandatory. If you own more than one franchised store, then at least one management level person must attend from each store. ~~We will not charge an attendance fee for one person per store, but we may charge for materials, meals, entertainment, and special programs.~~ Your costs of attendance are your sole responsibility (e.g., lodging, food, transportation, etc.).

10) The security interest granted by you is prior to all others except for (a) purchase money security interests and (b) interests granted to a third party in connection with original financing. (See Section 18 of the Franchise Agreement for terms).

ITEM 7 INITIAL INVESTMENT

Estimated Initial Investment (3 Month Period)¹

Expenditure	Estimated Amount or Estimated Low-High Range	Method of Payment	When Due	To Whom Payment Is Made
Initial Franchise Fee ²	\$2530,000	Lump sum	On signing FA	Us
Real Property, Lease Payments and Improvements ³	\$35,000 to \$77,000	As Arranged	As arranged	Lessor, vendors, contractors, architects, as applicable
Equipment, Fixtures, & Supplies ⁴	\$29,000 to \$43,000	As Arranged	As Arranged	Suppliers
Inventory ⁵	\$60,70,000 to \$7080,000	As Arranged	As Arranged	Suppliers
Training Related Expenses ⁶	\$2,100 to \$7,500	As Arranged	As Arranged	Vendors and Us, as applicable
Grand Opening and Initial Marketing Package ⁷	\$7,00010,500 to \$4013,0500	As Arranged	During first 60 days of operation	Printers, Vendors, Media
Insurance ⁸	\$3,000 to \$8,000	As Arranged	As Incurred	Carriers or Brokers
Signs ⁹	\$4,100 to \$15,000	As Arranged	As Arranged	Vendors
Computer Hardware & Software ¹⁰	\$152,000 to \$2418,000	As Arranged	As Incurred	Vendors
Miscellaneous Costs	\$5,000 to \$11,000	As Arranged	As Incurred	Vendors and other providers
3 months' Additional Funds ¹¹	\$10,000 to \$30,000	As Arranged	As Incurred	Suppliers, Employees, Tradesmen

Expenditure	Estimated Amount or Estimated Low-High Range	Method of Payment	When Due	To Whom Payment is Made
ESTIMATED TOTAL ¹²	\$192,200- 213,700 to \$320,500 333,000			

1) None of the expenditures paid to us are refundable except, in limited instances, Initial Franchise Fees. See Item 5 for details. These figures are estimates of the range of your initial costs in the first three months of operation only, and are based on the experience of our Predecessor. The actual amounts you pay could be higher or lower, based upon your particular circumstances and your decisions. (See the footnotes below for additional information on cost variables). **These figures do not include the purchase price of an existing franchised Relax The Back® Store operation, which may vary widely and is established directly between the buyers and sellers, including us in the instance of a Company-owned Store sale.**

2) In addition to the Initial Franchise Fee for the first unit, Area Developers also pay a one-time only Development Fee at the time of signing the Area Development Agreement. The Development Fee is equal to the number of Stores to be developed multiplied by \$5,0007,500. Subsequent Stores opened under an ADA have Initial Franchise Fees of \$4520,000 each, less the \$5,0007,500 per location paid through the Development Fee, due at the time of signing the relevant Franchise Agreement.

3) If you do not own adequate space to operate your Relax The Back® business, you must lease the land and building. Locations typically are in retail areas. The typical Relax The Back® store has between 1,800 and 3,000 square feet. Costs can vary greatly depending upon location, terms of lease, market conditions, space and numerous other factors. You will be required to build out the premises to conform to our standards and specifications. Build out costs may be included in lease costs or installed by you at your own cost. The range provided includes estimated construction/remodel costs, architectural fees and other related expenses. Your actual costs may vary significantly from estimated expenses due to a variety of factors, including landlord and deposit requirements, construction wages and prevailing labor costs, the extent of architectural and design services employed, and any loan packaging fees, among others. The range provided is intended to reflect an typical real estate environment. It does not reflect possible high end real estate market costs or extensive/high end store remodels or buildouts, which are not required or recommended.

4) You are required to buy certain equipment meeting our specifications, including decoration, fixtures and lighting.

5) ~~You are not required to purchase any particular items/amounts for your opening inventory, but we may suggest certain products/quantities.~~ We require you to purchase from our approved suppliers a minimum opening inventory of core products designated by us. Core inventory can vary from store to store, depending on a variety of factors, including store size, geographic area and market preferences, among others. The \$70,000 to \$80,000 range provided is the estimated cost of such required opening inventory. Your cCosts will vary significantly depending upon the quantity and costs of items purchased selected by you for purchase in addition to the opening inventory amount and/or to replace any products sold.

6) The Initial Franchise Fee covers an initial training program that is mandatory for you and your initial Relax The Back® Store manager. You are responsible for all costs associated with attendance at the program, such as travel, lodging, meals, transportation and incidental expenses incurred by you and your manager. The range provided assumes attendance by ~~two~~ 2 people. However, costs can vary significantly depending upon the distance you are required to travel and your personal travel preferences.

7) You'll spend at least \$7,000 on a Grand Opening marketing program, using marketing, advertising and

public relations programs, media and materials approved by us. We'll furnish advice and guidance to you with respect to the program for you to follow. This estimate includes the cost of Initial Marketing Package as described in Items 5 and 6 of this Offering Circular.

8) You must maintain policies of insurance issued by carriers approved by us covering various risks: (1) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, your Relax The Back[®] Store; (2) all risk property and casualty insurance for the replacement value of your Relax The Back[®] Store and all associated items; and (3) business interruption insurance. We may reasonably require different and/or additional kinds of insurance at any time. We currently require comprehensive general liability insurance with not less than \$1,000,000 single limit coverage and a \$2,000,000 aggregate, and (for Stores with annual ~~Gross Volume~~ Adjusted Gross Sales of \$1,000,000 or more), supplemental "umbrella" coverage of an additional \$1,000,000. You must furnish us with certificates of insurance on all insurance policies showing the coverage and payment of premiums required by your Franchise Agreement and naming us as an additional insured.

9) You must purchase exterior signage meeting our specifications. We recommend sign suppliers to you.

10) You must purchase and use an electronic cash register and computer system meeting our specifications (See Item 11 for current requirements).

11) Additional Funds is an estimate of the funds needed to cover certain business (not personal) expenses during the first 3 months of operation of the franchised business. These funds are in addition to those other expense items shown on the chart. Your actual costs may be higher. You need capital to support on-going costs of your business, such as payroll, utilities, taxes, loan payments, inventory purchases and other expenses, to the extent that revenues do not cover business costs. New businesses (franchised or not) often have larger expenses than revenues. This is only an estimate. You may need additional funds during the 3 months of initial operation or afterwards. In addition, the estimates presented relate only to costs associated with the franchised business and do not cover any personal, "living" or other expenses you may have or, royalty payments, Marketing Fund contributions, debt service on any loans, state sales and/or use taxes on goods and services, Manager and other employee wages, salesperson draws and commissions, and a variety of other amounts not described above.

12) We relied on the experience of our Predecessor and staff members with more than 5 years in the industry in compiling this estimate. This estimates certain initial startup expenses through the first 3 months of operation. It is not all inclusive, as noted above, and we cannot guarantee that you will not have additional expenses. No provision has been made for, and we do not authorize salespersons or anyone else to make estimates of, capital or other reserve funds necessary for you to reach "break-even" or any other financial position. These estimates do not include any finance charges, interest or debt service obligations. Total costs to begin operations and other financial requirements may be more or less than the figures specified above, depending on the size of business (number of employees, anticipated volume of business, payments to suppliers and landlords, etc.) which you intend to operate and other factors such as: how well you follow our methods and procedures; your management skill, lease and inventory terms, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales levels you achieve. Since most, if not all, of these factors are outside our control, we can't make a reliable estimate as to your costs or financial results. You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

The information in this Item 7 relates to the establishment of the single franchise to be awarded under this Offering Circular. If you have an ADA, the costs to develop additional franchise units may vary significantly from the costs provided above, depending upon a wide variety of factors such as then current economic conditions, real estate costs, labor availability, supply costs and many others. In addition, you

should note that the ADA permits us to require you to maintain positive working capital and a minimum net worth of \$250,000 multiplied by the number of Development Units.

We strongly recommend that you (1) obtain, before you purchase a franchise or make any commitments, independent estimates from third-party vendors and your accountant of the costs which would apply to your proposed establishment and continued operation of a Relax The Back® Franchise, (2) discuss with current Relax The Back® Franchisees their economic experiences (including initial costs) in opening and operating a Relax The Back® Franchise and (3) carefully evaluate the adequacy of your total financial reserves.

Although we make no estimates or representations regarding financial performance of a Relax The Back® Franchise, we recommend that, in addition to the additional funds shown, you have sufficient personal savings and/or income so that you are self-sufficient and need not draw funds from the franchised Relax The Back® business at least during the first six months of operation.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

The reputation and goodwill of each Relax The Back® Business is based on the satisfaction of customers who rely on the availability of a wide variety of quality Designated Equipment, Products and Services to be used or provided by Relax The Back® Businesses. We've already specified, and plan to specify in the future, various suppliers of Designated Equipment, Products and/or Services that meet our standards and requirements, which we can change at any time. Your Relax The Back® Business will purchase, use and offer each of, and only, such types, brands and/or quality of Designated Equipment, Products and Services as we designate. When required, you will use only suppliers designated by us. Designated suppliers may include, and may be limited to, us and/or companies affiliated with us.

You must purchase equipment, fixtures, furniture, trade dress items, supplies, inventory, and back-related products meeting our standards and specifications from approved suppliers. Our affiliate, BackSaver Acquisition Corp., is an approved supplier for sleep, home and office products, primarily for ergonomic chairs. Certain of these products are exclusive to the Relax The Back system. In the period from January 31, 2002—2003 ending February—December 31, 20032003, BAC derived \$3,371,94,746,566 34 in revenue from purchases by franchisees. These figures are based upon BAC's sales records for the fiscal year ending February—December 31, 20032003.

We maintain a list of approved suppliers who are selected on the basis of product quality, service, and pricing, among other factors. As applicable, we will provide you with standards, specifications and a list of approved vendors and items. We have the right to change the list at any time as we choose. To obtain our approval of a supplier you or the supplier must submit to us (in writing) the information and the items that we consider appropriate, including among others: financial and business condition and reputation, facilities, distribution structure, insurance, credit rating, warranty and credit policies; as well as product information and samples, test results, photographs, records or production, and specifications. The supplier must also arrange for a demonstration of the equipment/products at our company headquarters, currently in Cerritos, CA. We'll notify you within a reasonable time of our receipt of the necessary information whether or not you're authorized to purchase or use the proposed item or to deal with the proposed supplier. Under the Franchise Agreement, you agree not to make any claims against us with respect to any supplier (and/or our designation and/or our supervision of or our relationship with, a supplier) and to make any claims only against the supplier in question. You agree not to take any legal or other action with respect to any vendors without our prior written consent, which we may grant if we choose.

We may require that you join and make all purchases/leases solely through, a Relax The Back® purchasing cooperative or other entity designated by us (the "Co-op"). You must promptly pay all amounts due any such entity. The Co-op may adopt its own bylaws, rules, regulations and procedures,

which are subject to our consent and you must follow. Failure to pay amounts due or to comply with the rules of the Co-op are material breaches of the Franchise Agreement. (See Section 10.2 of the Franchise Agreement).

We do not provide you with any material benefit (such as renewals or additional franchises) if you use our recommended or approved suppliers. However, under the franchise agreement, you must comply with product and supplier requirements. We currently do, but are not obligated to, negotiate certain purchasing arrangements, including price terms, for the benefit of the Relax The Back® franchise system. Purchases by you of equipment, fixtures, supplies and inventory based upon the information provided in Item 7 of this Offering Circular will range from between 45% and 57% of your total purchases in connection with the establishment of your Store. Ongoing inventory and other supply requirements will vary significantly depending upon any sales volume, market conditions, stock selected and a variety of other factors, but is likely to be at least 90% of your purchases for the ongoing operation of your Store. We issue certain standards and specifications to you in our Operations Manuals, as well as through suppliers' buyer service guides and other written instruction.

We may derive revenue because of your purchases. **Currently, we are the sole approved supplier for the Initial Marketing Packages (please see Item 5 of this Offering Circular). We did not receive any revenue from required franchisee purchases of these Marketing Packages in fiscal 2003.** In the past, our Predecessor occasionally received funds or economic benefits from vendors in connection with their participation in the system convention. Vendors sometimes provided our Predecessor with co-op advertising funds in connection with their product catalogue. We anticipate that we may receive similar benefits in the future. During the period February 1, 2002–2003 to January December 31, 20032003, we received \$230,846318,715 in co-op advertising funds for the RTB catalog. Our Predecessor received an immaterial amount of rebates in the past. We do not expect to receive rebates in the future.

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ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Franchise Agreement/ Area Development Agreement (ADA)	Item in Offering Circular
a. Site selection and acquisition/lease	3, 16.1, Exhibit 3.2 of the Franchise Agreement; ADA – 4.1	Items 7 and 11
b. Pre-opening purchases/leases	3; ADA – 4.1, 7.1, 9.8, 10.9	Items 5, 6, 7, 8, and 11
c. Site development and other pre-opening requirements	3, 10.1, 10.2; ADA – 4.1	Items 6, 7, 8, and 11
d. Initial and ongoing training	3.6, 5, 10.4; ADA – 6.1	Items 6, 7, and 11
e. Opening	3.6-3.7; ADA – 4.1, 7.1	Items 6, 7, and 11
f. Fees	9.1- 9.7, 10.7, 11.1-11.3, 14.3, 15.2, 19.7, 19.11; ADA – 1.1, 4.1, 5.1, and 8.1	Items 5, 6, 7, 11, and 17
g. Compliance with standards and policies/Operating Manual	1.4, 3.3, 3.5, 4, 5.3, 10, 15.2, 16.2, 16.7; ADA – 4.1, 6.1,	Items 8, 11, 12, 16, and 17
h. Trademarks and proprietary information	6, 8.1, 16.1, 16.2, 17.2-17.4; ADA – 12.1	Items 13, 14, and 17
i. Restrictions on products/services offered	2.2, 10.2; ADA – 2	Items 8, 11, 16, and 17
j. Warranty and customer service requirements	10.8	Item 6
k. Territorial development and sales quotas	2.2, 16.2; ADA – 1.1, 2.1, 4.1, 7.1, Exhibit 1.2	Items 12 and 17
l. Ongoing product/service purchases	10, 12.1	Items 7 and 8
m. Maintenance, appearance and remodeling requirements	1.4, 3, 5.3, 6.2, 6.4, 10.1-10.2, 14.3, 15.2, 17.2; ADA – 4.8	Items 6, 11, 13, 14, and 17
n. Insurance	10.5	Items 6 and 7
o. Advertising	3.7, 6, 11	Items 6, 7, and 11
p. Indemnification	3.1, 7.4, 19.4, 19.6 and 19.7; ADA – 11.1, 12.1	Item 11
q. Owner's participation/ management/ staffing	5.1, 10.4, ADA – 1.1, 4.1, 6.1	Items 6, 7, 11, and 15
r. Records and reports	12, 16.2, 17.2; ADA – 12.1	Items 6, 8, 11, and 17
s. Inspections and audits	13, 16.2	Items 6 and 17
t. Transfers/ Our Right of First Refusal	9.1, 14; ADA – 7.1, 8.1	Items 6 and 17
u. Successor Franchise	15; ADA – 3.1	Items 6 and 17
v. Post-termination obligations	8.2, 12.2, 17, 19.1; ADA – 12.1	Item 17
w. Non-competition covenants	8.2, 17.4-17.6; ADA – 12.1	Item 17
x. Dispute resolution	19; ADA – 12.1, 13.1	Item 17
y. Franchisor Management/Franchise - default	16.8	Items 6 and 17
z. Our Right to Purchase Franchise Assets	17.6; ADA – 8.1	Item 17

Obligation	Section in Franchise Agreement/ Area Development Agreement (ADA)	Item in Offering Circular
AA. Our Right to Reacquire the Franchise	ADA – 8.1	Item 17
BB. Security Interests	18, Exhibit 3.2	Item 6
CC. Personal Guaranty	1.2, 14.4, Ex. 1.2 B; ADA – 10.1	Items 15 and 17
DD. Franchisee Associations	7.6-7.10, 11.1, 11.3	Item 11

ITEM 10 FINANCING

We and/or our affiliates do not offer direct or indirect financing. We and/or our affiliates do not guarantee your note, lease or obligation.

ITEM 11 FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

Our Pre-Opening Obligations under the Franchise Agreement

Before your Relax The Back® Store opens, we will:

(1) provide you with site evaluation information to be used by you for each potential Relax The Back® Store site. You must return the completed form to us prior to our review of a proposed location. We won't unreasonably withhold our acceptance of a site that meets our standards. (Franchise Agreement, Section 3.1)

(2) provide you with standards, specifications and any requirements for design, layout, equipment, furniture, fixtures, signs and other items. You must comply with what we provide you. (Franchise Agreement, Section 3.3)

(3) review each lease, all of which are subject to our approval and should contain certain terms, which we will provide to you. (Franchise Agreement, Section 3.2 and Exhibit 3.2 to the Franchise Agreement)

(4) provide you with information about the equipment, products, signs and other goods that you must use to open and operate your Store, including your core inventory requirements, and about their respective approved/designated suppliers. (Franchise Agreement, Sections 3.3, 10.1, 10.9 and 10.2)

(5) provide you (and your initial manager, if applicable) with training. (Franchise Agreement, Section 5.1)

(6) give you notice if and when we determine that your store is ready for opening, within 5 days of which you will open for business. (Franchise Agreement, Section 3.6)

(7) deliver an Initial Marketing Package (see Items 5 and 6 of this Offering Circular) and provide you with advice and guidance regarding a grand opening marketing program and. (Franchise Agreement, Section 3.7, 9.8)

(8) loan you one copy of (or provide you electronic access to) the Relax The Back® Manual(s). (Franchise Agreement, Section 5.3)

Our Obligations During the Operation of Your Business

Once your Relax The Back® Store opens and if you are a franchisee in good standing, we will:

- (1) furnish guidance to you with respect to:
 - (a) specifications, standards and operating procedures for your franchise;
 - (b) purchasing approved equipment, fixtures, signs, inventory, operating materials and supplies;
 - (c) developing and implementing local advertising and promotional programs;
 - (d) administrative, bookkeeping, accounting, inventory control, purchasing, and general operating and management procedures; and

This guidance can, in our sole discretion, be furnished in the Manuals, other written materials, refresher training programs and/or telephonic consultations or consultations at our offices or at your franchise location. (Franchise Agreement, Section 5.2)

(2) offer to provide on an annual, tuition free basis a minimum of one on-site training session of our choosing at your Relax The Back® Store. We also will conduct on an annual basis a minimum of one on-site visit for general business purposes, which may be combined with an on-site training session in satisfaction of both annual obligations. (Franchise Agreement, Section 5.1)

(3) loan you any modifications, additions and or revisions to the Relax The Back® Manuals when, if and as we may develop them (Franchise Agreement, Section 5.3)

(4) license you to use the Relax The Back® Marks and System expressly as authorized by, and subject to the terms of, the Franchise Agreement. (Franchise Agreement, Sections 2.1, 6.1 and 6.2)

(5) disclose to you Confidential Information (as defined in the Franchise Agreement) for the operation of your Franchise. (Franchise Agreement, Section 8.1)

Our Obligations under the Area Development Agreement

Our pre-opening and post-opening obligations are those described above as they relate to the franchise awarded for an individual Store location.

Marketing

Marketing Fund

We've instituted an advertising, publicity and marketing fund (the "Marketing Fund") for the advertising, advertising-related, marketing and/or public relations programs, services and/or materials that we consider appropriate to promote Relax The Back® franchises. You must contribute to the Marketing Fund as described in Item 6. (Franchise Agreement, Section 11.1) The Marketing Fund may place advertising in any media. We may prepare advertising, and we may employ outside advertising agencies. If all monies in the Marketing Fund are not spent in the fiscal year, the funds are carried over for use in the next fiscal year. (See Section 11.1 of the Franchise Agreement for additional detailed information.)

We have discretion over all matters relating to the Marketing Fund consistent with its purposes and the Franchise Agreement, and with due consideration to Franchise Association Board ("FAB") Input when required. This discretion includes, among other things, Marketing Fund management, its financial matters, expenditures, receipts and/or investments, timing of expenditures, media placement and allocation. The Marketing Fund may be used for the benefit of the Relax The Back brand to (among other things) pay costs of marketing programs (including public relations), "brand/image advertising" and other marketing program, in-store and truck signage, preparing, producing, distributing and using marketing, advertising and other materials and programs; administering national, regional and other marketing programs, purchasing media, administrative costs, employing advertising, public relations and other agencies and firms; and supporting public relations, market research and such other advertising and marketing activities to promote current and/or future Stores and the Brand, as well as any reasonable expenses associated with any FAB or other franchisee advisory group meetings and activities as approved by us.

If approval is granted by the FAB, we can arrange for goods, services, materials, etc. (including administrative services), related to the purposes and activities of the Marketing Fund, to be provided to the Marketing Fund by ourselves and/or any affiliated persons/companies, including persons/entities who may be owned, operated, controlled by, and/or affiliated with, us (such as an "in-house advertising agency"). We may use the Marketing Fund to compensate and reimburse any of such persons/entities (including ourselves) as we deem appropriate (including payment of commissions) and to compensate ourselves and/or others for administrative and other services, materials, etc., rendered to the Marketing Fund, provided that any compensation to us and/or any persons/entities owned, controlled and/or operated by us must be reasonable in amount. We can arrange without FAB approval for goods, services, materials, etc. (including administrative services), related to the purposes and activities of the Marketing Fund, to be provided by independent persons/companies and all related costs, fees, etc., will be paid by the Marketing Fund, but we will seek Input from the FAB prior to hiring any such person/company for products/services reasonably anticipated to cost more than \$10,000.

You must participate in all marketing programs instituted by the Marketing Fund or us. Marketing Fund may furnish you with copies of marketing, advertising and promotional materials and you will pay the cost of producing/distributing actual items (door hangers, newspaper advertisements, radio ads, etc.) to be used by you plus shipping and handling. We may, in our Business Judgment, use the Marketing Fund to share with a co-advertiser a reasonable portion of the costs of advertising, marketing and/or public relations programs, services and/or materials with respect to any co-branding, dual franchising or other co-sponsored programs. A brief statement regarding the availability of information regarding the purchase of Relax The Back® franchises may be included in advertising and other items produced and/or distributed using the Marketing Fund. You are free to set your own prices, except that we may, to the greatest degree permitted by law, specify maximum prices. You must honor all coupons, price reduction and other promotions/programs as directed by us.

We will account for the Marketing Fund separately from our other funds. We will use commercially reasonable efforts to maintain the Marketing Fund as a distinct taxable entity. All taxes (including, but not limited to, gross receipts, income, value added and/or sales taxes) incurred in connection with or related to the Marketing Fund, whether imposed on us, the Marketing Fund or otherwise, will be the sole responsibility of the Marketing Fund, and we will be reimbursed by the Marketing Fund for any such taxes paid by us. We will not use the Fund to defray any of our general operating expenses, except for administrative costs and other expenses we may incur in activities related to the Marketing Fund and its programs, including a *pro rata* share of the reasonable salary and benefits of the Relax The Back® marketing and/or other personnel, based on time spent working on matters related to the Marketing Fund. These activities may include conducting marketing research, preparing and placing advertising, obtaining insurance, legal matters and collecting and accounting for the Marketing Fund, among others. In addition, we may charge the Marketing Fund for reasonable attorney's fees and other costs (1) related in any way to our defense of any claims against us and/or any of the Franchisor-Related Persons/Entities regarding the Marketing Fund or (2) with respect to collecting

amounts owed to the Marketing Fund; provided that if (a) we substantially prevail in any such matters or (b) our actions/non-actions were approved by the FAB then all attorney's fees and other costs will be reimbursed by the Marketing Fund. However, we are required to reimburse the Marketing Fund for any attorneys' fees and/or costs paid by the Marketing Fund in connection with any action in which we are finally found to have acted unlawfully or to be guilty of wrongdoing with respect to the Marketing Fund.

We may, in our Business Judgment, spend in any fiscal year an amount greater or less than the aggregate contributions to the Marketing Fund in that year. The Marketing Fund may borrow from us or other lenders to cover deficits or to invest any surplus for future use. In making expenditures, the Marketing Fund will first spend any contributions made by any supplier; second, any earnings on assets held by the Marketing Fund; third, any contributions made by us; and finally any contributions made by Franchisees. We can collect for remission to the Marketing Fund any advertising or promotional amounts offered by any supplier based upon purchases by you. All interest, etc. earned on monies contributed to, or held in, the Marketing Fund will be contributed to the Marketing Fund.

We will provide the FAB with the opportunity to review and give Input regarding the annual Marketing Fund budget and plan. While we are not required to seek the approval of the FAB in connection with any matter relating to such plan or budget, any approval of a matter by a majority vote of the FAB binds you. Financial statements of the Marketing Fund will be prepared by us and furnished to the FAB. Our current policy is to provide them on a quarterly basis, though we are not obligated to meet that schedule. We may elect to produce audited Marketing Fund financial statements, in which case any related costs will be paid by the Marketing Fund and we will distribute a copy of those audited statements to all franchisees obligated to pay Marketing Fund contributions.

We can incorporate the Marketing Fund or operate it through an entity separate from us, and the entity will have all rights and duties of ours relating to the Marketing Fund. The Marketing Fund may be combined with any Marketing Fund otherwise established for Relax The Back® Stores and the funds merged for use in compliance with the Franchise Agreement.

We may (but are not required to) revise marketing and other programs, and/or make separate expenditures from the Marketing Fund, in order to take account of cultural or other differences. We may delegate management of a portion of the Marketing Fund in connection those revisions. Also, we can defer, waive, and/or compromise claims with respect to the Marketing Fund. On a case by case basis, we can waive any future contributions, using the Marketing Fund to pay any such claims and related legal and other costs. We may, or may not, take legal or other action against any Franchisee who is in default of their obligations with respect to the Marketing Fund. We may allow a Franchisee to make direct advertising expenditures in place of contributions to the Marketing Fund.

We have no obligation to ensure that expenditures by the Marketing Fund are or will be proportionate or equivalent to the contributions to the Marketing Fund by Relax The Back® Stores operating in any geographic area, or that any Relax The Back® Store will benefit directly or in proportion to its contribution to the Marketing Fund. We have no obligation to cause other Relax The Back® Stores, licensees or outlets (some of which may be under different arrangements) to contribute to the Marketing Fund, any cooperative or engage in local marketing.

We will not have any direct or indirect liability or obligation to you, the Marketing Fund or otherwise with respect to the management of the Marketing Fund. Absent intentional misrepresentation, neither we, the FAB, Merchandising Committee, Marketing Committee, nor any of the Franchisor-Related Persons/Entities will be liable for any act or omission that is consistent with the Franchise Agreement, or which is done in subjective good faith, or within our exercise of discretion.

The Franchise Agreement (and all rights and obligations with respect to the Marketing Fund) is not in the nature of a "trust," "fiduciary relationship" or similar special arrangement. We may maintain

Marketing Fund assets in one or more accounts designated as "trust accounts" (or similarly designated), but that will not create any "trust," "fiduciary relationship" or similar special arrangement.

If you are in default, we may deny you access to any benefits of the Marketing Fund. See Section 11.1 of the Franchise Agreement for additional information.

For the -fiscal year ended January-December 31, 20032003, Marketing Fund expenditures were:

Bad Debts	----	\$4,4284,356
Computer and Internet Charges	5%	\$ 46,910
Marketing Salaries ¹	129%	\$81,25787,421
Media Production and Catalog Expenses	1914%	\$121,032131,692
Miscellaneous	----	\$7,3306,734
Newspaper, Television, radio and other Ads	6568%	\$588,529471,438
Professional Fees	22%	\$19,20017,600
Total Expenditures from Fund	100% ²	\$868,686719,241

1. Currently we have two staff members, a portion of whose salaries are paid by the Fund and who devote that portion of their time to various aspects of developing, managing and implementing projects for, or on behalf of, the Marketing Fund. As the Fund grows, more persons may be hired to work for or on behalf of the Fund.

2. Percentages are rounded and figures less than 1% are reported as blanks.

We have agreed with most existing franchisees to take commercially reasonable steps to promote the BackSaver brand name for certain qualities/products and will comply with our commitment to them. These existing franchisees have also agreed to purchase a certain volume of BAC products, subject to certain conditions. Neither of these provisions are in the current form of Franchise Agreement.

Local Store Marketing

You are required to pay certain expenditures for local marketing activities as described in Item 6, above. Advertising and marketing materials for any medium (including internet and electronic media) not prepared or previously approved by us must be submitted for our review and possible approval prior to use. If written disapproval is not received by you within 15 days from the date of receipt by us of the materials, we will be deemed to have given the required consent. We can withdraw consent by notice to you. You won't use any items that we have disapproved or that do not include the copyright, trademark and other notices required by us. We can require that a brief statement about the availability of information regarding the purchase of Relax The Back[®] franchises be included in all advertising used by you and that a brochure regarding purchase of Relax The Back[®] franchises be placed in a prominent location in your Relax The Back[®] Store.

All use of the Internet, World Wide Web or other electronic media by you in connection with your Relax The Back[®] Store will be as specified by us as we consider appropriate, in our sole discretion. We may reasonably require that all use of the Internet, World Wide Web or other electronic media be through us, using an Internet/Intranet Service Provider selected by us (or which can be us or an affiliate), and/or that all pages be accessed only through our "home" page and meeting our specifications. We own and control all URL's used in connection with your Relax The Back[®] Store. (See Section 11.2 of the Franchise Agreement for more information).

Advertising Co-ops

We may at our option establish and/or recognize one or more cooperative associations and/or sub-associations of Relax The Back® franchisees covering territories that include your Relax The Back® Store. Each association may adopt bylaws and other governing documents, which are subject to our approval in our Business Judgment. We may require that you join the applicable local and national association, contribute to them, and comply with the rules, regulations and procedures of any association of which you are a member. Each association may adopt its own rules, regulations and procedures subject to consent by us. (Section 11.3 of the Franchise Agreement).

Franchise Associations

Franchisee Association Board

The Franchisee Association is the association (if any) then representing a majority of Relax The Back Franchisees in Good Standing. The Franchisee ~~Advisory~~ Association Board ("FAB") consists of the governing board of the Franchisee Association, subject to the following requirements. Each Store will have the right to join and participate in the Franchisee Association in accordance with its bylaws. With the exception of a non-voting advisory member appointed by us, Board members will be elected by Relax The Back Franchisees. All Relax The Back Franchisees who are in Good Standing under the Franchise Agreement are entitled to vote in an election. Any Relax The Back Franchisee in Good Standing under the Franchise Agreement may nominate, or be nominated as, a candidate in any election. Each Franchisee will be entitled to one vote.

If in connection with any given election the franchisee group representing a majority of franchisees does not comply with the preceding requirements, or if there is no single franchisee group whose members represent a majority of the then existing franchisees, then we will establish guidelines for an election by franchisees. We will always have the right to appoint one non-voting representative to participate in all FAB meetings and other FAB activities. Any substantial changes to the bylaws to be adopted by the FAB are subject to our prior written consent, which can not be unreasonably withheld.

Merchandising Committee

In 2002, we formed a Relax The Back® Merchandising Committee (the "Merchandising Committee"). We will meet and consult with the Merchandising Committee, which shall be composed of 4 members selected by a majority of the governing body of the Franchisee Association and 3 members selected by us. The Merchandising Committee will provide Input on the content of the Relax The Back® catalog and Relax The Back.com. We will meet with the Relax The Back Merchandising Committee periodically to review such content, initial inventory and model floor stock recommendations, as well as new product introductions.

Marketing Committee

In 2002, we formed a Relax The Back® Marketing Committee. We will meet and consult with the Marketing Committee periodically, which is composed of 4 members selected by a majority of the governing body of the Franchisee Association and 3 members selected by us. The Marketing Committee will provide Input on the content of Relax The Back® marketing programs. (Section 7.8 of the Franchise Agreement)

Franchisee Association and Board Seat

We will provide one permanent, non-voting advisory seat on our Board of Directors to be filled by a representative selected by a majority of the governing body of the Franchisee Association to act as a liaison between the Franchisee Association and our Board. Our providing this seat is subject to the provisions of the Franchise Agreement and the Franchisee Association providing one permanent non-voting advisory seat on the Franchisee Association's governing body (e.g. Board of Directors) to be filled

by a representative selected by us. (Section 7.6 of the Franchise Agreement).

Input from Franchisee Association, FAB, Merchandising Committee, Marketing Committee.

We may seek Input from the FAB, the Merchandising Committee, Marketing Committee, and the Franchisee Association or other groups (individually and collectively, "Franchisee Advisory Groups") with regard to certain matters as specified in this Agreement, and as we consider appropriate. The final decision in such matters will remain ours, unless the Franchise Agreement requires the applicable Franchisee Advisory Group's approval. Any approval of a matter by a majority vote of the FAB will be fully binding on you, regardless of whether or not such approval is required under the Agreement. We will be bound by a majority vote of the FAB on a matter only in those instances in which FAB approval is required under this Agreement.

Computer Register System

You must also purchase and use a computer-based point of sale and retail automation system ("Computer Register System" or "CRS") configured for sales analysis, inventory control, customer tracking, basic accounting and other management information reports, time card tracking, WAN data access and sharing via broadband connection, e-mail, bar code printing, bar code scanning, physical count processing, credit card processing and other functions useful in the operation of your Relax The Back Business. Your CRS must be capable of exporting data files in a manner and format approved by us. You must purchase the hardware, software, training, technical support and other aftercare services from a supplier approved by us ~~an electronic cash register and computer system with a configuration meeting these minimum specifications from an approved supplier~~ (Sections 10.2, 12.1 and Article 4 of the Franchise Agreement):.

Technology Hardware/Software Requirements:

~~The~~ Prices reflected ~~listed~~ below are for estimate and planning purposes only. The final price of a Computer Register System will be a function of several factors, including: (1) the number of licensed users you require; (2) the number, style and configuration of computers ~~you purchase~~ purchased by you; (3) your choice of either an ~~on~~-on-premises file server or participation as a Data Community member; (4) your choice of computer operating system; and (5) your desire to run software applications other than the Computer Register System on the computer hardware. ~~The items included in the "Sample Configuration" below represent a 2-terminal system for use with a shared, off-site, Data Community file server. Your actual cost may be higher or lower based on your choices of equipment and configuration. Data Community connection requires a full-time synchronous broadband connection (e.g. DSL or, Cable Modem, Frame Relay) which is available in many locations for \$69 to \$149 per month provided by an approved supplier. Prices for broadband vary by bandwidth, region and provider.~~

~~Call your telephone carrier, cable operator or DSL provider of choice for details.~~

Software configurations and prices listed below represent configurations and prices available from Decision Support Software Solutions, Inc. (DS3, Inc.) and its vendors as of ~~March 18, 2003~~ February 15, 2004, and are subject to change without notice. Configurations and prices are subject to change without notice. Annual software maintenance for the first year is billed in advance. ~~Annual software support, tech support, and help desk contract fees for the first 12 months are included in the price quoted. DS3 Solution Advantage help desk and application support is billed monthly. Thereafter billing is monthly.~~

Personal Computer hardware specifications represent actual configurations and prices available from Dell Computer on February 15, 2004 and are subject to change without notice. Hardware support (either overnight replacement parts or on-site service) is available from Dell Computer at an additional charge. ~~Hardware configurations and prices for personal computers~~

~~represent actual configuration and prices available from Dell™ on March 18, 2003. Configurations and prices are subject to change without notice.~~

Point of Sale peripheral hardware configurations and prices represent actual configurations and prices available from DS3, Inc. and its vendors as of February 15, 2004 and are subject to change without notice. DS3, Inc. may periodically substitute newer or different models of equipment.

~~Hardware configurations and prices for point of sale peripheral equipment represent actual configurations and prices available from Decision Support Software Solutions, Inc. and its vendors as of March 18, 2003. Configurations and prices are subject to change without notice. Because the new numbers include many items that were not previously included, the range should be \$12,000 to \$24,000.~~

Sample Configuration

The following sample configuration (priced at \$15,763) is based on a 2-terminal system for use with a shared, off-site, Data Community file server. Your actual costs will vary based on your choices of equipment and configuration.

PC Hardware

- | | | |
|---|---|---------|
| 1 | Personal Computer w/POS peripherals for use at Cash Wrap
2.4 Celeron processor 400MHz FSB, 128K Cache
128MB RAM (Memory)
Integrated Graphics Card
20GB Hard Disk Drive
Windows 2K Professional with NTFS or XP Professional
Internal Modem (for redundant connectivity NOT FOR CREDIT CARD)
Integrated 10/100 Network Interface Card (NIC)
Standard Keyboard
Standard Mouse
No Monitor
1 yr parts warranty (next business day)
All Steel 2-Slot Cash Drawer with Receipt Printer compatible kick port
Cash Drawer to Receipt Printer Kick Cable
Serial Thermal Receipt Printer
6' Serial Receipt Printer Cable | \$1,549 |
| 1 | Personal Computer for Back Office
2.66 Intel Pentium Processor 533 MHz FSB, 256K Cache
256MB RAM (Memory)
Integrated Graphics Card
80GB HDD
48X CD-RW Drive
Windows 2K Professional with NTFS or XP Professional
Internal Modem (for redundant connectivity NOT FOR CREDIT CARD)
Integrated 10/100 Network Interface Card (NIC)
Standard Keyboard
Standard Mouse
No Monitor
1 yr parts warranty (next business day)
Microsoft Office Basic | \$1,149 |

Monitors

1	15" LCD Flat Screen Monitor for POS	\$399	
1	17" LCD Flat Screen Monitor for Back Office	\$499	
Printers			
1	Brother HL-1440 Laser Printer for Cash Wrap	\$239	
1	Brother HL-1440 Laser Pritner for Back Office	\$239	
Communications Hardware			
1	Wireless Broadband Router with NAT, Firewall, Port Forwarding, 4Port	\$199	
Software			
	3-User Synchronics Basic Software	\$5,550	
	3-User SQL Connection Module		
	3-User Data Interchange Module		
	3-User Account Receivable Module		
	1st Year CSS (Software Maintenance and Updates)		
	1st Month DS3 Solution Advantage help desk and technical support		
	3-User R-Admin remote access software		
	3-User Alpha Com terminal emulator software		
Additional Costs			
	24-Hours Infrastructure Support		\$5,940
	20-Hrs Fundamental Training		
Upgrades and Extras			
Hardware:			
	Dell Optiplex Small Form Factor Computer (add)	\$285	
	Cybernet Computer in a Keyboard Form Factor (add)	\$275	
	Uninterrupted Power Supply (starting at)	\$99	
	Laser Bar Code Scanner w/USB connection	\$595	
	Credit Card Reader	\$95	
	Bar Code Printer	\$695	
	Extended Warranty for PC's (Starting at)	\$69	
Software and Services:			
	3-User Credit Card Processing Module	\$600	
	3-User Synchronics Basic Accounting	\$600	
	Crystal Reports (for developing reports)	\$239	
	Additional Professional Services and Training (per hour)	\$135	
Recurring Costs			
	Broadband Service (monthly starting at)	\$89	
	Synchronics Annual Software Maintenance (3-User)	\$300	
	Monthly DS3 Solution Advantage help desk and tech support (from)	\$149.50	

Sample Configuration:.....\$-12,689

To include:

Hardware:

Dell personal Computers (BLK) w/POS Peripherals.....\$ 1,498
 1.8GHz Celeron Processor 400FSB, 128K Cache
 128MB DDR Non-ECC SDRAM (1DIMM)
 Keyboard
 Mouse
 Integrated Graphics Card (DVMT)
 20 GB Hard Disk Drive
 1.44 3.5 Inch Floppy Drive¹
 48X CD-ROM
 Integrated Sound Blaster Compatible Card (No Speakers)
 Internal V.92 PCI Data/Fax WIN Modem
 Internal Network Interface Card (NIC)
 Windows 2000 Professional SP3 with NTFS
 No Monitor
 1Yr Parts Warranty (Next Business Day)
 MMF All Steel Cash Drawer with Media Slot (BLK)
 Cash Drawer Pop Cable (Epson)
 Epson Thermal Receipt Printer (GRY)
 6' Thermal Receipt Printer Cable

Dell personal Computers (BLK) for Back Office Use.....\$ 1,095
 1.8GHz Celeron Processor 400FSB, 128K Cache
 128MB DDR Non-ECC SDRAM (1DIMM)
 Keyboard
 Mouse
 Integrated Graphics Card (DVMT)
 20 GB Hard Disk Drive
 1.44 3.5 Inch Floppy Drive²
 48X CD-ROM
 Integrated Sound Blaster Compatible Card (No Speakers)
 Internal V.92 PCI Data/Fax WIN Modem
 Internal Network Interface Card (NIC)
 Windows 2000 Professional SP3 with NTFS
 No Monitor
 1Yr Parts Warranty (Next Business Day)
 Personal Ink Jet Printer
 Included Microsoft Office XP (Word Processing and Spreadsheet Software)

2 - 17" CRT Monitor for Back Office Station.....\$ 378

Broadband Communications Equipment.....\$ 358
 1 - Broadband Router w/Auto Fail-Over to Dial-Up Function
 1 - Broadband Router Compatible External Modem

Software, Services and Support:
 _____ Software, Training and Support Package (Value at \$14,525).....\$ 9,360
 _____ 3-User Base System w/following modules
 Price-Pack
 Serial Number Tracking
 Lot Tracking
 Kits and Components

¹ Some configurations of Dell computers are delivered with either a floppy drive or CD-ROM but not both.
² Some configurations of Dell computers are delivered with either a floppy drive or CD-ROM but not both.

~~Accounts Receivable~~
~~Data Interchange~~
~~8 Hrs Training at RTBU~~
~~12 Hrs Training from Software Purchase to Opening Day~~
~~8 Hrs Software Load and Configure~~
~~3 AlphaCom Terminal Emulator Software Licenses~~
~~3 R-Admin Diagnostic Support Software Licenses~~
~~3 Copies of DS3 RegCleaner~~
~~2 Norton Anti Virus Licenses~~
~~12 Months Software Services Subscription Agreement³~~
~~1 1st Year Synchronics CSS (Twice Annual Software Updates.)~~

Upgrades and Extras:

Hardware:

Dell Optiplex Small Form Factor Computer (add)	\$ 265
Cybernet Computer in a Keyboard (no computer box!)	\$ 250
15" LCD Flat Screen Monitor	\$ 349
17" LCD Flat Screen Monitor	\$ 499
Network Laser Report Printer (starting at)	\$ 699
Network Color Laser Report Printer (starting at)	\$ 899
CD-RW / DVD (starting at)	\$ 299
Uninterrupted Power Supply (UPS)	\$ 199
POS Platform	\$ 169
Laser Bar Code Reader	\$ 599
Credit Card Mag Stripe Reader	\$ 149
Keyboard Wedge	\$ 125
Bar Code Printer	\$ 699
Local On Site File Server	CALL
Extended Warranty (3 year parts) starting at	\$ 69

Software and Services:

3 User Credit Card Module	\$ 600
SQL Connection	\$ 600
Crystal Reports	\$ 239
RAM (Memory Upgrades)	CALL
Professional Services and Training (per hour)	\$ 135

Recurring Costs:

Monthly Broadband Connection (varies, estimate)	\$ 79
Annual Synchronics CSS (per licensed user)	\$ 30
Monthly Software Services Subscription (Tech Support)	CALL

You will use this equipment for retail transactions, stock control and financial information management.

We will have unlimited access to and use of the system information, electronically or otherwise as we require.

None of the listed items are proprietary to us. Except as noted below, the designated software programs are common, off the shelf licensed products and current contact information is contained in the

³ Limitations apply. Includes 1.5 hours per month. Contact Decision Support Software Solutions, Inc. for details.

packaging for such items. Any obligation to provide ongoing maintenance, repairs, upgrades or updates would be described in the packaged materials accompanying such products as provided by the licensors.

We have not identified compatible equivalent components for items that are non-proprietary. We will evaluate proposed alternative products/suppliers as described in Item 8.

We are not contractually obligated to upgrade or update any hardware/software components. Any maintenance and support contracts, upgrades and updates with respect to items proprietary to a third party are as established by that party. We can choose to add to, modify or delete any equipment/software/specifications at any time, and you have to comply with any required changes. However, we will not require an update of your computer hardware costing more than \$10,000 more than once every five-5 years, unless an earlier update recommended by us is considered and approved by the FAB. These limitations do not apply in connection with a transfer or the award of a successor franchise.

In addition, you must also buy a computer software system specially configured for sales analysis, inventory control, customer, accounting and other management information reports, timecards, bar code labels, CES or Retriever Systems credit card processors, multi-poll, E-mail and other functions useful in the operation of the Relax The Back[®] retail business.

We currently recommend, but do not require you to use, the latest version of Synchronics Counterpoint Software Modules in the latest version. DS3, Inc. currently is the only approved supplier of the Relax The Back[®] POS register system and Counterpoint Software package Modules, but upon request we will evaluate other proposed suppliers for approval. (See Item 8) DS3, Inc. is located at 7949 Woodley Avenue, Van Nuys, CA 91406 (818-375-5041). You currently are required to have Synchronics Annual Software Maintenance and enrollment in the monthly DS3 Solution Advantage help desk and tech support.

As of the effective date of this Offering Circular, the Manual we provide to you totaled 97-41 pages. The Table of Contents of this Manual is included as Exhibit G to this Offering Circular.

Site Selection

Before signing by you and your landlord, you must submit to us a copy of the proposed Store lease for our approval. You must use commercially reasonable efforts to have the lease contain the terms specified in the Franchise Agreement, which includes among other terms the landlord's agreement to accept an assignment of the lease to us if we elect to assume the lease. (Article 3 and Exhibit 3.2 of the Franchise Agreement). Your site must be obtained within 12 months from the date of the Franchise Agreement. You should not make any commitments with respect to any location, nor should you operate a store or use any of the Marks, unless we have accepted the site and approved the lease. If you are unable to locate a site acceptable to us, we may terminate the Franchise Agreement and refund a portion of the initial franchise fee paid by you, subject to certain conditions.

We won't unreasonably withhold our acceptance of a site that meets our standards. We consider a variety of factors in evaluating a proposed site. Some of the factors are site location, area demographics, makeup of other co-tenants, traffic density, shopping centers or malls, parking and ingress/egress. We have no contractual requirement to consent to the location you select for your Store within a specified period of time.

Your Store must be constructed or remodeled according to specifications we will provide. Alterations of any kind must be approved by us before they can be implemented. Site selection, development, and any related matters are your sole responsibility, although we expect to reasonably assist you. We make no representations or warranties as to the success of any site or as to any other matter of any kind relating to the site. (Franchise Agreement, Section 3.1)

You are required to maintain the store facilities according to standards and specifications that we may eliminate, modify or expand upon periodically. However, we will not require more than once every ~~five~~ 5 years a remodel, refurbishment and/or redecoration of the Premises of more than \$15,000, unless an earlier update recommended by us is considered and approved by the FAB. However, these limitations do not apply to any update required by us in connection with a transfer or successor franchise award.

Length of Time Between Signing of the Agreement and Beginning Operations:

The length of time between execution of the Franchise Agreement and the opening of the your Relax The Back® Store is typically 3 to 6-8 months. Factors affecting this length of time include the selection and approval of the site, negotiation of a lease, construction or remodeling of the facility, local ordinance and/or building code compliance, installation of equipment and signs, completion of our training program, implementation of advertising and grand opening programs, and delivery and stocking of inventory.

Training

You (and your initial manager, if applicable) must complete our initial training program to our satisfaction before beginning operation of your Relax The Back® Store. The program includes 58-day classroom/off-site training "Relax The Back® University" (RTBU) at a time and location that we choose.

Currently, our initial training program is held at locations in Los Angeles and Orange County, California. There is no training fee for you (and your initial manager, if applicable). Travel, lodging, food, living and other expenses are your responsibility. If you have been previously trained we can choose to not provide training or to provide a revised and/or shortened program.

We typically schedule an RTBU program ~~three~~ 3 times yearly, and you can expect to complete training sometime between 2 weeks and 3 months following the signing of the Franchise Agreement. We may hold training schools more or less frequently, depending upon the number of new Franchise Owners at a particular time.

The RTBU program uses the Operations Manual, computer software and other materials we may adopt. Training covers operation and management of the franchised business, and includes computer operations, marketing, employee hiring and management, daily operations and general business organization. We maintain a staff within our organization that have training responsibilities, as well as on-going duties in the company.

Mr. David Purves (see Item 2) supervises RTBU. Please see Item 2 for Mr. Purves, Mr. Bahl's, Ms. Mattes', Mr. Montgomery's and Mr. Nespoli's biographies. Instructors have the following ~~years of~~ experience with us and/or our Predecessors:

Ron Kercheville has been our Regional Director of Operations since 1997.

Max Beaty has been our Regional Director of Operations since December 2003.

Scott Remmers has been our Director of Marketing since January 2001.

Robin Whitman has been our Merchandising Manager since December 2003.

Dennis Hernandez joined us as our Visual Merchandising Manager in February 2004.

Chris Charek is the CEO and President of DS3, Inc. and has been providing training for our franchisees in the DS3 computer systems since the Fall 2002.

Mitzi Keaton has been our Human Resource Manager since 2001.

Ron Kercheville — 7 years

Scott Remmers — 3 years

Leanne Mattes — 2 years

Nick Bahl — 4 years

Chris Charek — 1 year

David Purves — 9 months

As of January, 2003 we We currently provide the following training:

Subject	Hours	Instructional Material	Instructor
History, Training Goals, Introduction and, Overview and Business Planning	2	Training Manual, Handouts	David Purves, Ron Kercheville, Max Beaty
Franchise Operations	9.25	Operations Manual, Handouts	David Purves, Ron Kercheville
Marketing	24	Handouts, Catalog, Marketing Manual	Leanne Mattes, Scott Remmers
Merchandising	24	Handouts, Recommended Inventory	TBA, J.D. Nespoli, Robin Whitman, Dennis Hernandez
Point of Sale	710	(At Training Center) Hands-On POS	Chris Charek, DS3
Product Presentation Training (includes In-store training)	56	Products, Videos, Hands-On	David Purves, Ron Kercheville
Medical and Anatomy	2	Videos	David Purves, Ron Kercheville
Sales Training	6.58	Hands-On, In-Store	Ron Kercheville
Finance	24	Handouts, Software tools	Nick Bahl, John Montgomery
Human Resources	3	Manuals, Handouts	Mitzi Keaton

You and your manager must attend additional and/or refresher training programs conducted at locations specified by us, including national and regional conferences, conventions and meetings. Your other employees may be required to attend mandatory training programs presented by us at your Relax The Back® Store. You'll be responsible for all travel, living, incidental and other expenses and compensation of you and your personnel attending any training program. We may charge a fee for any optional training programs.

In addition, we will offer, on an annual, tuition-free basis, a minimum of one on-site training session of our choosing at your Relax The Back® Store. We also will conduct on an annual basis a minimum of one on-site visit for general business purposes, which may be combined with an on-site training session.

Subsequent managers also must attend and complete our training program before managing your store operations. We can require training by all of your supervisory personnel at such times and places as we designate. Currently, certain sales associates and other staff are encouraged, but not

required, to attend. We may charge a reasonable fee for training of subsequent managers and/or other supervisory personnel, unless otherwise expressly agreed by us in writing.

Although we are not required to do so, we currently provide supplemental or refresher training. We offer this training at our headquarters 3 times a year. We also hold regional training courses 2 times a year.

ITEM 12 TERRITORY

Franchise Agreement - General

The Franchise is awarded for a single location only. Subject always to our rights under the Franchise Agreement, we will not enter into a Franchise Agreement licensing a Traditional Relax The Back[®] Store, or open a Franchisor-owned Traditional Relax The Back[®] Store, to be located inside the area (the "Territory") identified in an exhibit to the Franchise Agreement. Your Franchise Agreement does not grant you any rights to the award of any additional franchises or territories. (Sections 2.1 and 2.2 of the Franchise Agreement) We establish the Territory after considering geographic, market, population, and other relevant factors, as well as our overall development strategy. The size of a Territory is determined by us and varies from franchise to franchise, but frequently is comprised of an area that forms a 1 to 3 mile radius around the approved site. Some territories may be political divisions (e.g., city, town, state) or established by map references.

We expressly reserve all other rights, including among them the rights to:

- (i) own and/or operate ourselves, and/or authorize others to own and/or operate:
 - a) any kind of business in the Territory, except for a Traditional Relax The Back[®] Store; and
 - b) any kind of business outside of the Territory, whether or not using the Relax The Back[®] Marks and System; including Traditional Relax The Back[®] stores;
- (ii) sell, and/or authorize others to sell, Relax The Back[®] brand (or any other brand) products and services (whether or not competitive) to customers located anywhere by catalog and internet only, except as provided in subsections iii) through vi), below;
- (iii) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the Relax The Back[®] System and/or the Marks, and/or award franchises under such other concepts for locations anywhere. However, if any concept development opportunity involves the location of a physical unit inside the Territory for the distribution of competitive, back-related products/services, we will provide you with a right of first refusal for such an operation according to the process outlined in Section 2.2 of the Franchise Agreement;
- (iv) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses with units located anywhere. A transaction may include arrangements involving competing outlets and brand conversions (to or from the Relax The Back[®] Marks and System). You must participate at your expense in any such conversion as may be required by us, as provided in the Franchise Agreement. We will permit you a reasonable period of time to complete such a conversion (at least 12 months from your receipt of written conversion instructions from us);
- (v) "special distribution opportunities", including Relax The Back[®] outlets associated with larger retail facilities such as general merchandise stores (e.g. Wal-Mart) or similar facilities, and limited square footage outlets like an "express" unit and/or kiosk units housed within other retail facilities, such as a department store; however, if any distribution opportunity involves the location of a physical unit for the

distribution of products/services under the BackSaver and/or Relax The Back® Marks inside your Territory, we will provide you with a right of first refusal, according to the process outlined in Section 2.2 of the Franchise Agreement;

A "Traditional Relax The Back® Store" is defined in Section 1.2, of the Franchise Agreement. Subject to the limitations described above, we retain all rights to non-traditional Relax The Back® Stores or other distribution opportunities, including Relax The Back® internet sites and/or Relax The Back® direct mail operations.

We and our affiliates currently use Internet, mail order and other distribution methods to offer and sell products using the Relax The Back® and BackSaver brands, which are the same and/or similar to those offered by you. Our offers/sales are to existing and/or potential customers located anywhere, including in the Territory.

You may not offer or provide through the Internet, World Wide Web and/or similar venues any products or services without our written permission, which we may choose to deny. If we sell products and services through a Relax The Back® e-commerce site or a Relax The Back® direct mail catalogue to customers inside your Territory, we'll share with you a portion of any proceeds from such sales. The portion shared will be, either a percent of profit or gross sales. "Profit" is calculated by us by subtracting from gross sales related costs of sales, as well as general and administrative expenses. Currently the portion shared with franchisees is 50% of any profit, but is subject to change by us unless otherwise specifically agreed upon in writing signed by us. We will obtain and consider FAB Input prior to making any changes in the portion of the product/service sales shared with you and/or the method of calculation.

We currently offer and sell products and services through a Relax The Back® e-commerce site and a Relax The Back® direct mail catalogue that promotes the brand and is available to customers everywhere. We expect to continue to do so in the future. Our current catalogs include location information on all Relax The Back Franchisees who are in good standing and copies are available for purchase by franchisees for distribution in their areas.

Upon request from us, you will provide liaison, support and other services to such customers in exchange for compensation established by us in our Business Judgment after consideration of FAB Input. The amount of any compensation will be applied as a credit against royalties or, at our option, any other money owed or to be owed by you to us. We will provide you with a report on at least a quarterly basis of any sales and corresponding credits due you. The customer's billing address (not delivery address) will determine whether a sale is made inside of a Franchisee's Territory. Any credits outstanding as of the date of any transfer, termination or expiration of this Agreement will be deemed to have expired, unless you have another Franchise Agreement with us or are granted a successor franchise. We do not guarantee, and you are not assured, that any sales will be made by us or credits realized by you in connection with any Relax The Back® e-commerce site or direct mail catalogue.

Our current policy is to allow you to accept orders from any customer located anywhere, but we can change this policy at any time. You will comply with any restrictions we specify as to the customers to whom you may offer or sell outside of the Territory. You will not direct market to customers outside of your Territory, except as authorized by us in writing. Any Relax The Back® product catalogue made available to you by us for direct marketing purposes must be distributed by you.

If no agreed Territory can be chosen, we may resolve the matter in one of two ways, at our option. We may cancel your Franchise Agreement and return your Initial Franchise Fee. In that case, you will sign a General Release, and we will provide a release to you. Otherwise, we may submit the matter to mediation and arbitration, but in no case can the Territory extend beyond a 3 mile radius from your Store.

Our affiliate, BackSaver Acquisition Corp., is a manufacturer and distributor of ergonomic chairs and related products. As disclosed in Item 1, BackSaver is headquartered in Holliston, MA and operates as a separate company. It sells to authorized independent retailers and a variety of retail businesses. It primarily sells furniture or office equipment, business to business, and to the Relax The Back[®] system of franchised- and company-owned stores, which is currently its largest customer. Other than products manufactured exclusively for Relax The Back[®], BackSaver's products generally are available to buyers who meet its current credit and quality control requirements and are not limited by territories or other means of allocating customers. You receive no compensation in connection with any such sales made by BAC.

You will relocate your Store to a location acceptable to us if your lease expires or terminates without your fault; if your store is damaged, condemned or otherwise unusable; or if certain circumstances warrant its relocation. Our permission will not be unreasonably withheld, but any relocation will be at your expense and you (and each affiliate of yours) will sign a General Release. We will provide you with a release of known and unknown claims regarding royalties and marketing contributions.

Performance Standards:

Performance standards include both System Standards and Financial Standards.

Relax The Back[®] System Standards: We will evaluate your Relax The Back[®] Store when we think it is appropriate for compliance with System Standards. ~~Using the same categories we apply in evaluating company owned stores,~~ Your Relax The Back[®] Store will be assigned System Standards Scores and compared with the average scores in related categories as achieved by all Relax The Back[®] Stores in Good Standing.

Relax The Back[®] Financial Standards: Beginning 24 months after the date of your Franchise Agreement, and every 12 months thereafter, we may compare your ~~Gross Volume Adjusted Gross Sales~~ with the "Financial Standard". If your results are not above the level of the top performer in the bottom 10% of our then-current Relax The Back[®] Stores in operation more than 24 months and in Good Standing (the "Financial Standard"), you will be subject to the Correction Process outlined below.

Correction Process

If (a) your System Standards Score in any major category is lower than the average System Standards Score achieved by Relax The Back[®] Stores in Good Standing or (b) ~~Gross Volume Adjusted Gross Sales~~ for the most recently completed ~~six~~6-month period does not equal the then-current Financial Standard (every ~~six~~6-month adjusted) as of the date of any comparison as specified above, we may (but are not required to) implement the following correction process.

First, we will notify you of your failure and you will have 6 months ["the 6 Month Correction Period"] to achieve the then-current System Standards Score in all major categories and/or the Financial Standard, as applicable.

Second, during the 6 Month Correction Period, we will actively work with you to (a) identify the reasons for such substandard performance, and (b) suggest means and methods for you to meet the applicable standards.

Third, we may require you to meet with us at our headquarters or other location we consider to be suitable, to discuss possible means of correction and/or having you re-attend training, in each case at your expense. We will not charge any tuition fee for re-training.

Fourth, at the end of the 6 Month Correction Period, we may require you to again meet with us at

your Store or at our headquarters to analyze the situation. In any case, at the end of the 6 Month Correction Period, you will be evaluated for compliance with the Relax The Back® System Standards and Financial Standards and, if your Relax The Back® Store is not in compliance, you will indicate in writing (within 10 days after the 6 Month Correction Period has ended) whether or not you wish to sell your franchise to a third party. If you indicate that you wish to sell your Franchise, you will have 180 days after the end of the 6 Month Correction Period to complete such sale, subject to all terms relating to transfer under the Franchise Agreement (including our right-of-first refusal).

Fifth, if you have failed to meet the standards and do not advise us of your wish to sell to a third party, or if no sale meeting the requirements of this Agreement takes place within such 180 days, your rights and our obligations under the Franchise Agreement will terminate upon our mailing of written notice. You will sign a General Release for us, and we will sign a Limited Release for you, as defined in Section 1.2 of the Franchise Agreement.

We reserve the right to make reasonable revisions to elements of the Financial or System Standards through changes in the Manuals or otherwise, upon 6 months written advance notice to you. Such revisions may include changes in PUA percentages, measurement periods or geographical areas.

In any case where we have the right to terminate your rights under the Franchise Agreement, or if you have failed to meet the performance standards, we may reduce, eliminate or otherwise modify your territorial and similar rights.

Area Development Agreement

(i) Subject to the other provisions of the Area Development Agreement (the "ADA") attached as Exhibit F to the UFOC, and you not being in default of any obligations to us, we will not enter into a Franchise Agreement with anyone other than you licensing a Relax The Back® Store, or open a Relax The Back® Store to be owned by us, to be located in the Area Territory for the term of the ADA. After the ADA Territory Period expires, you will have no territorial or similar rights with respect to the Area Territory or otherwise and we (and/or any of the Franchisor-Related Persons/Entities) may own and/or operate, and/or franchise and/or license, any Relax The Back® Stores, and/or any units of any type, anywhere in the Area Territory or elsewhere.

(ii) **Reserved Rights.** The territory and related rights for each of the unit franchises granted to you will be governed by the terms of their respective Franchise Agreement. We reserve the same rights under the ADA as we reserve for a single franchise. Those rights are described above in this Item 12, and are contained in Section 2.2 of the Franchise Agreement and 1.1 of the ADA.

ITEM 13 TRADEMARKS

We grant you the non-exclusive right to operate a retail store under the name "Relax The Back®" and under any other trademarks, trade names, service marks, designs and logos currently used in the franchised business (the "Marks"). The Marks may only be used at the location we approve for your Store for the sale of products and services we authorize. Our predecessor registered and assigned all rights in the Marks to us. The formal assignment was filed with the United States Patent and Trademark Office (PTO) on May 31, 2002. The principal marks are:

• "Reclining figure" logo as service mark, Registration Number 1,763,540 on April 6, 1993. (**Principal Register**)

- “Reclining figure” logo as trademark, Registration Number 2,304,433 on December 28, 1999. **(Principal Register)**
- “Relax The Back” as service mark, Registration Number 1,714,372 on September 8, 1992. **(Principal Register)**
- “Relax The Back” as trademark, Registration Number 2,269,336 on August 10, 1999. **(Principal Register)**
- “Relax The Back & Reclining Figure Design” as trademark and service mark, Registration Number 2,707,437 on April 15, 2003. **(Principal Register)**

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

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

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

You must comply with any directions from us to discontinue, modify, substitute or add Marks. We cannot and do not make any guaranty that a modification, discontinuance, or other action may not be required for any reason. You may be required to find a new, mutually acceptable, location. If no such location can be found, we will identify and license a commercially reasonable alternative brand for your Premises. In such cases we will compensate you for the relocation or re-branding up to a maximum of \$25,000. You must provide us with a release against all claims related to these changes.

There is always a possibility that there might be one or more businesses using a name and/or marks similar to ours and with superior rights. We strongly urge you to research this possibility in the location and state which you are considering.

We do not know of any superior prior rights or infringing uses which could materially affect your use of the principal Marks in this state or in any state in which the franchised business is to be located.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not have any registered patents or copyrights. We claim proprietary rights and common law copyrights in the Manuals, in various programs used by us, and in other elements of the Relax The Back[®] System. In general, our proprietary information is defined in the Franchise Agreement to be “Confidential Information” and includes (1) Manuals, training, techniques, processes, policies, procedures,

systems, data and know how regarding the development, marketing, operation and franchising of Relax The Back® Stores; (2) specifications and information about Products and Services authorized by us and (3) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We own and control the URLs relating to the Relax The Back® Store, as well as all information, lists and data about past, present and future customers of your Relax The Back® Store. We also own the rights to all telephone services and numbers, directory listings, Internet or similar connections relating to your Relax The Back® Store. Your only interest in any of this Confidential Information is the right to use it pursuant to this Agreement.

The Confidential Information is a valuable asset of ours. It will be disclosed to you on the condition that you agree both during and after the term of this Agreement (1) to use the Confidential Information only for the operation of your Relax The Back® Store; (2) to maintain the confidentiality of the Confidential Information; (3) not to make or distribute, or permit to be made or distributed, any unauthorized copies; and (4) to implement all prescribed procedures for prevention of unauthorized use or disclosure of the Confidential Information. All ideas, techniques, methods and processes relating to a Relax The Back® Store which are conceived or developed by you and/or your employees are to be provided to us for our use, although patents and patented products may be excluded from this requirement by us if we choose.

You must comply with any practices or requirements we may implement through the Manuals or other written instruction that are intended to promote the proper use and nondisclosure of the Confidential Information by your employees, agents or other third parties, including their signing of a form of non-disclosure/confidentiality agreement approved by us.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials or other Confidential Information. There are no agreements in effect which significantly limit our right to use or license the any such information or materials. Finally, there are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. No agreement requires us to protect or defend any copyrights/Confidential Information or you in connection with any related claims.

ITEM 15 OBLIGATION OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Relax The Back® Store must be personally managed on a full-time basis by a person who has successfully completed all training required by us and who meets all of our other then-current standards. We strongly recommend, but do not require, that you personally manage your Relax The Back® Store on an "on-premises" basis. You must keep us advised of the identities of the manager and other supervisors of your Relax The Back® Store. We have the right to deal with the manager on matters pertaining to day-to-day operations of, and reporting requirements for, your Relax The Back® Store. You hire and are solely responsible for the management and training of all employees of your Relax The Back® Store. You must maintain at your Relax The Back® Store an ongoing training program meeting our standards.

If the Franchisee is not a natural person, all past, current and/or future obligations of the Franchisee must be personally guaranteed by all persons having an ownership interest in the Franchisee (e.g., shareholders, partners, etc.).

If you are an Area Developer under an ADA, we may require your Chief Executive Officer or another officer/owner to attend and successfully complete such initial and/or on-going training as we designate and/or to meet with us from time-to-time to review Area Developer operations. We may require you to employ a manager for each Development Unit who will meet such standards (including training

requirements) as are set forth in the then-current Franchise Agreement and/or Manuals issued by us, to supervise and coordinate the operation of each Unit.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your Relax The Back® Store to meet System standards (including required products and services). You may not use your Relax The Back® Store for any purposes other than the operation of a Relax The Back® Store, without our prior written approval. You must purchase, use and offer only the types, brands and/or quality of products and services we designate. You are not permitted (without our prior written consent) to operate your Relax The Back® Store at any location other than the approved site. (See Items 8, 9, and 12 above)

Our current policy is to allow you to accept orders from any customer located anywhere but we can change this policy at any time. However, you cannot direct market to customers outside of your Territory, except as authorized by us in writing. Any Relax The Back® product catalogue made available to you by us for direct marketing purposes will be distributed by you.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and the Area Development Agreement. You should read these provisions in the agreement attached to this offering circular.

Franchise Agreement Provisions

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	2.1	10 years.
b. Renewal or extension of the term	15.1	Your rights terminate at end of term; however, you may be eligible for a successor franchise (which may differ materially from the current Franchise Agreement) for one additional 10 year term.
c. Requirements for you to renew or extend	15.2	Complied with all agreements; maintained possession of Premises acceptable to us for the term; location brought into compliance with current standards; evidence of right to retain or adequately substitute Premises; notice of election to obtain successor franchise; cure deficiencies; satisfied all monetary obligations; sign new franchise agreement/related documents; meet current training requirements; execute a General Release; pay renewal fee.
d. Termination by you	None	Not Applicable
e. Termination by us without cause	3.1, 5.1, 17.6	We can cancel franchise and return portion of Initial Franchise Fee if a site isn't agreed upon within 12 months of Agreement, or if we think training unsuccessfully completed. You will execute a General Release. Your post term indemnification, confidentiality, non-compete, and dispute resolution obligations continue. We can also purchase any and all of your RTB related assets at expiration or termination.
f. Termination by us with cause	13.3, 16	We can terminate you if you commit any one of several listed violations.
g. "Cause" defined- defaults which <u>can</u> be cured	16.2	<p>10-Day cure: Failure to: comply with Manuals; maintain insurance; correct dangerous conditions; report accurately Gross VolumeAdjusted Gross Sales; submit accurate and timely reports; or pay any amounts due.</p> <p>30-Day cure: Uncured default under any lease; fail to remain current with obligations to others for the Franchise Business; fail to comply with any other Franchise Agreement requirements, procedures; or fail to maintain performance, system, or financial standards.</p>

Provision	Section In Franchise Agreement	Summary
h. "Cause" defined- defaults which <u>cannot</u> be cured	16.1, 16.3 - 16.4	Failure to locate, obtain, and develop acceptable site and open Store; abandon or fail to operate business for more than 7 days; misrepresentations or omissions by you; bankruptcy, insolvency, assignment for the benefits of creditors, inability to pay debts, receiver or custodian appointed; conviction of, or plea of no contest to, a felony or of an offense affecting the reputation of the Business or the Marks; unauthorized transfer; unauthorized use of Confidential Information or Marks; violation of non-competition provisions; loss of possession of Store Premises without approved relocation; misrepresentations of amounts owed and other matters; file legal action against us and do not receive a final judgment or award substantially in your favor on the merits (excludes settlements); failure to retain required records/reports; fail in any obligation on 2 or more separate occasions within 12 months, or on 3 separate occasions within 24 consecutive months; cross defaults under other agreements.
i. Your obligations on termination/non-renewal	16.5, 17.1 - 17.7	No equity on termination. Pay all amounts owed; cease use of all Relax The Back® name, trade dress, and marks; de-identify Premises; cancel fictitious name registrations; transfer phone numbers, directory listings, and internet service; furnish evidence of compliance with the above; stop using and return Manuals and confidential materials; comply with covenants continuing indemnification, confidentiality, non-compete, and dispute resolution obligations. We can require you to pay future royalties and fees. If you continue to use the Marks after termination, you will owe us greater of Store profits or all fees normally payable. We can receive an assignment of the lease for Premises. We can purchase your RTB related assets at fair market value. We can require you to sign a General Release.
j. Assignment of contract by us	14.1	Fully assignable by us. On transfer we have no continuing obligations. We can be sold; sell any assets; go public; engage in a private placement; merge, acquire or be merged/acquired with competitors or others; refinance; buyout or other transaction.
k. "Transfer" by you- definition	14.2	Includes transfer of any interest of any kind or nature, voluntary or involuntary, by operation of law or otherwise, in the Agreement or business. Includes transfer to a trust, or to a corporation you control.
l. Our approval of transfer by you	14.2 - 14.3	Transfer of 20% or more interest in Agreement, franchise, business, or assets is subject to our consent, and transfer of interest and/or assets of business must include franchise.

Provision	Section in Franchise Agreement	Summary
m. Conditions for our approval of transfer	14.3 - 14.4, 14.6	Agreement not subject to termination; full compliance with Franchise Agreement, lease/sublease and any other agreements; transferee qualifies; pay all amounts due; transferee assumes obligations to third parties; comply with then-current standards; submit all required reports and documents; transferee training requirement; transferee obtains all required permits, licenses and insurance; you remain liable for existing obligations of the franchised business; obtain any required consent of lessor; transferee signs new Agreement (which can be materially different) or is assigned the transferor's Franchise Agreement, at our option; payment of transfer fee; execution of General Release by all owners & affiliates; any amount financed subordinate to obligations of transferee to us, and we may refuse to allow financing; non-competition, indemnification, confidentiality, and dispute resolution provisions survive; you agree not to participate in any similar business for a period of 3 years; comply with laws and regulations; we can withhold approval based on circumstances we think warrant it. <u>Additional conditions for transfer to a wholly-owned corporation. Transfer does not release you from obligations to us or claims by us, unless we expressly agree in writing.</u>
n. Our right of first refusal to acquire your business	14.7	Subject to time limits, evidence of an offer, and deposit of a refundable transfer fee, we can: require you to accept our matching offer; exclude interests outside franchise; exclude value of non-complying assets or require compliance; require cure of defaults; substitute cash or marketable securities for any proposed payment; require customary representations, warranties and agreements on sale; you sign a General Release.
o. Our option to purchase your business	17.6	On or within 120 days of termination or expiration of the Agreement, we can purchase your business, at fair market value, less amounts owed. You sign a General Release and indemnify us.
p. Your death or disability	14.5	Interest must be transferred to an approved third party within 6 months, subject to transfer conditions. We may choose to manage the store during that period, charge a management fee, and be indemnified for costs and liabilities incurred.
q. Non-competition covenants during the term	8.2	No involvement in, or service to, any Similar Business anywhere; no soliciting employees of ours, of Franchisor-Related Entities, or of our franchisees; special, additional remedies for breach.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	8.2, 17.3 - 17.4	For 3 years: No business with, or soliciting of RTB or franchisee customers; no Similar Business within a RTB Marketing Area. There are special, additional remedies for breach. If non-competition restrictions are unenforceable or reduced, we may require you to pay a fee based on formula.
s. Modification of the agreement	19.9	Modifications must be in writing and signed by all parties. Operating Manual is subject to change by us and you must promptly comply.
t. Integration/merger clause	19.9, 19.10, 21	Only terms of written Franchise Agreement, exhibits, riders and Manuals are binding. Any other promises are not enforceable.
u. Dispute resolution by arbitration or mediation	19	Except for certain claims, all disputes resolved through mediation-arbitration at our then-current headquarters; no class actions; waiver of jury trial; waiver of punitive and other named damages; limitation of damages; notice of claims requirement; limits on periods in which to bring claims; pay own attorney fees, except in limited instances.
v. Choice of forum	19.1 and 19.2	Litigation in court encompassing our then-current headquarters, except in limited instances, but Federal Arbitration Act pre-empts state law.
w. Choice of law	19.14	Laws of the state of Delaware, but Federal Arbitration Act preempts.

Area Development Agreement Provisions

Provision	Section in Area Development Agreement	Summary
a. Term of the franchise	2.1 and Exhibit 2.1	ADA expires when the last scheduled unit is actually opened or on the date it is required to open, whichever is earlier.
b. Renewal or extension of the term	3.1	None.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	None	Not Applicable
e. Termination by us without cause	None	Not Applicable
f. Termination by us with cause	7.1	We can terminate you if you commit any one of several listed violations.
g. "Cause" defined- defaults which <u>can</u> be cured	7.1	Defaults under other agreements with us and any Related Entity may be defaults of ADA. Some of these may be cured according to the relevant agreement. We may require you to halt development if you default on a Franchise Agreement.

Provision	Section in Area Development Agreement	Summary
h. "Cause" defined-defaults which <u>cannot</u> be cured	7.1	Attempt to transfer ADA without our consent; fail to meet Development Schedule; commit to lease without our approval; begin development or operation of a Unit without our approval; bankruptcy, insolvency, assignment for the benefits of creditors, inability to pay debts, custodian or receiver appointed; conviction or nolo contendere for a felony, or a crime or offense affecting the goodwill of the Marks; other breaches of ADA
i. Your obligations on termination/non-renewal	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
j. Assignment of contract by us	8.1	Fully assignable by us. We have no liability to you after assignment.
k. "Transfer" by you-definition	8.1	Any assignment.
l. Our approval of transfer by you	8.1	Transfer only with our written consent.
m. Conditions for our approval of transfer	8.1	Conditioned by our Business Judgment; any provisions we choose under most current Franchise Agreement; all interest in every Development Unit and Franchise Agreement must transferred to a single assignee; pay transfer fee; pay any fees required under Franchise Agreements.
n. Our right of first refusal to acquire your business	8.1	Our rights of repurchase, of asset purchase, and of first refusal are not affected.
o. Our option to purchase your business	17.6	Our rights of repurchase, of asset purchase, and of first refusal are not affected.
p. Your death or disability	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
q. Non-competition covenants during the term	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
s. Modification of the agreement	13.1	Modifications must be in writing and signed by all parties.
t. Integration/merger clause	13.1	Only terms of written ADA is binding, but it does not replace the terms of the Franchise Agreement or related agreements.
u. Dispute resolution by arbitration or mediation	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
v. Choice of forum	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.
w. Choice of law	1.1, 12.1, Exhibit 1.3	According to Franchise Agreement.

These states have statutes which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise: ARKANSAS [State. Section 70-807], CALIFORNIA [Bus. & Prof. Code sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e *et seq.*], DELAWARE [Code Sections 2551-2556], HAWAII Rev. Stat. Section 482E-1], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Sections 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-11] SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions that may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

Some states require us to make certain statements regarding the possible effect of various laws on provisions in the documents you sign. We make these statements here and/or in state addenda to this Offering Circular (Exhibit H) only as a result of those requirements and in order to obtain registration and not because we agree with the statements made. You should understand that we intend to fully enforce all of the provisions of the documents you sign (including the franchise agreement), and to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 *et seq.*). Statements made by us, here or in an addendum, as a condition of registration in a state, should not be construed as an indication that you and we have not had a meeting of the minds on any subject covered by those statements. As to any law that might make void or unenforceable any provision contained in any of the documents you sign, whether as a result of statements we're required to make or otherwise, we reserve the right to challenge the enforceability and/or effect of that law in any legal proceeding.

Notwithstanding any statements in our Offering Circular required as a condition of registration or otherwise, we intend to fully enforce each of the provisions of the Franchise Agreement and you agree we may do so.

A provision in a Franchise Agreement or Area Development Agreement that terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code, Section 101.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figures to promote our franchise, but reserve the right to do so in the future.

ITEM 19 EARNINGS CLAIMS

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Relax The Back Franchise (although we do provide certain historical financial information in Exhibit J, our Earnings Claim Exhibit, as described below). Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.

We make no representations, express or implied, regarding potential earnings of your business. We have not suggested, guaranteed or warranted that you will succeed in the operation of a Franchise or provided any sales or income projections of any kind to you. We are unable to reliably predict the results of operation of units owned by us, and we certainly cannot reliably predict what results you might achieve. How well you might do depends almost entirely on factors outside our control, including your general business ability, your resources, how closely you follow our system, your location, competition, and how good a businessperson you are. The

business realities are that no one, including us, can make a reliable estimate of what sort of results you may achieve. We cannot guarantee your success and we do not authorize any sales, cost or income projections, estimates or otherwise of any kind to you, nor should you rely on any projections or estimates of any type from anyone.

Attached as Exhibit J to this Offering Circular is a Relax The Back Earnings Claim based on Historical Results, which is our only authorized "earnings claim" or other statement regarding financial results relating to our Franchises. Exhibit J should be read in its entirety, including the discussion of factual basis and material assumptions and all disclaimers, since all of it is important to your decision. Note that Exhibit J has not been audited or prepared in accordance with generally accepted accounting standards, does not meet professional or other standards for financial statements and is not a reliable basis on which to predict potential gross sales, costs, profit or any other financial condition for any franchise Store you might operate.

Before signing any binding documents or making any investment, you should make your own independent investigation regarding the possible purchase of a Relax The Back Franchise.

Additional language required by the State of California is contained in the California Addendum in Exhibit H of this Offering Circular.

~~We do not give and do not authorize our salespersons, agents or employees to give any oral or written information concerning the actual or potential sales, costs, income or profits of its franchises. However, we may disclose information regarding the franchise sales, profits or earnings of a company-owned franchise being sold by us. Any claim will be limited to the actual operating results of the specific franchise for sale and shall be given solely to potential purchasers of the franchise and will be accompanied by the name and last known address of each owner of the franchise during the last 3 years. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise.~~

~~We make no representations, express or implied, regarding potential earnings of your business. We have not suggested, guaranteed or warranted that you will succeed in the operation of a traditional Relax The Back® Store franchise or provided any sales or income projections of any kind to you. We're unable to reliably predict the results of operation of units owned by us and we certainly can't reliably predict what results you might achieve.~~

~~We have specifically instructed our salespersons, agents, employees, and officers (and all other personnel) that they are not permitted to make any claims or statements regarding prospects or chances of success, actual or potential sales, costs, earnings, income or profits of, or other financial matters regarding, any traditional Relax The Back® Store franchise nor are they authorized to provide this information. We do not suggest or guarantee that you will succeed in the operation of a traditional Relax The Back® Store franchise. We make no representations regarding any activities, items, matters or services to be engaged in or provided by us or with regard to any other matters, except as expressly provided in the Franchise Agreement. If you believe that any promises, representations or agreements are or have been, at any time, made to you that are not expressly described in the Franchise Agreement or this Offering Circular, you must provide a written statement regarding these next to your signature on the Franchise Agreement. If any information or representations of this sort have been provided to you, they cannot be relied on, we will not be bound by them, and, if you do rely on this information, you do so at your own risk. Please notify us in writing before you buy a franchise if any information or representations of this sort have been provided to you.~~

~~Before signing any binding documents or making any investment, you should make your own independent investigation regarding the possible purchase of a traditional Relax The Back® Store franchise, including speaking with a significant number of current and past Relax The Back® Franchisees regarding their experiences and with independent advisors, such as an attorney and/or accountant, to assist your determination of the suitability of your possible investment in a traditional Relax The Back®~~

~~Store franchise. See Item 20 and Exhibits C and D regarding the names, addresses and phone numbers of current and past Relax The Back® Franchisees.~~

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ITEM 20 LIST OF OUTLETS

A list of the names, addresses and phone numbers of all current Relax The Back franchisees and developers (as of February 2004) is attached as Exhibit C to this Offering Circular.

**FRANCHISED STORE STATUS SUMMARY
FOR THE FISCAL YEARS ENDING JANUARY 31, 2002 / JANUARY 31, 2003 / DECEMBER 31, 2003⁽¹⁾
FISCAL YEARS 2004/2002/2003⁽⁴⁾**

State/Country	Transfers	Cancelled or Terminated	Not Renewed	Reacquired by Franchisor	Left the System - Other	Total from Left Columns	Franchises Operating at Year End
Alabama	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+1/1/1
Arizona	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	3+3/3/3
California	0+0/1/0	0+0/1/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/2/0	42+12/11/18 ²
Colorado	0+1/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+1/0/0	4+1/1/1
Connecticut	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/3
Delaware	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Florida	0+0/0/0	2+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+0/0/0	4+4/6/8
Georgia	0+1/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+1/0/0	2+2/2/2
Illinois	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Indiana	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Kansas	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Louisiana	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Maryland	0+0/0/0	0+2/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+2/0/0	2+0/0/0
Massachusetts	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	5+5/5/5
Michigan	0+0/0/0	0+0/0/1	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/1	4+1/1/0
Minnesota	0+0/0/0	0+0/0/0	0+0/0/1	0+0/0/0	0+0/0/0	0+0/0/1	2+2/2/1
Mississippi	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1

State/Country	Transfers	Cancelled or Terminated	Not Renewed	Reacquired by Franchisor	Left the System (Other)	Total from Left Columns	Franchises Operating at Year End
Missouri	0+0/0/2	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/2	2+2/2/2
Nebraska	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Nevada	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/3
New Hampshire	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
New Jersey	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/1/1
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2
North Carolina	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Ohio	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Oklahoma	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Oregon	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Pennsylvania	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
South Carolina	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/1/1
Tennessee	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Texas	0+0/0/0	4+2/1/0	0+0/0/0	0+0/0/0	0+1/0/0	4+3/1/0	6+3/6/8
Utah	0+0/1/0	4+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+0/0/0	4+1/1/1
Virginia	4+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+2/0/0	4+2/0/0	4+2/2/2
Washington	0+0/0/3	4+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+0/0/3	3+3/3/3
Wisconsin	0+0/1/0	4+1/0/0	0+0/0/0	0+0/0/0	0+0/0/0	4+1/0/0	4+0/0/0
Canada	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	0+0/0/0	2+2/2/2
Totals:	4+2/2/5	6+5/2/1	0+0/0/1	0+0/0/0	0+3/0/0	7+10/4/7	76+68/72/86

1. We changed our fiscal year end from January 31 to December 31 at the end of 2003. All numbers are as of our fiscal year end, which is January 31.
2. Nick Bahl, our CFO, has an ownership interest in a franchisee that operates 4 franchised Relax The Back Stores in Southern California. See Item 2 of this Offering Circular.

**PROJECTED OPENINGS⁽¹⁾
DURING FISCAL YEAR 2004⁽²⁾**

State	Franchise Agreements Signed But Unit Not Opened	Projected Franchised New Units In Next Fiscal Year	Projected Company-Owned Opening In Next Fiscal Year
Arizona	01	1	0
California	02	14	0
Colorado	01	1	0
Connecticut	0	1	0
Florida	01	32	0
Illinois	01	13	0
Kentucky	0	2	0
Louisiana	0	1	0
Michigan	0	1	0
Nevada	0	4	0
New Jersey	0	1	0
New York	0	12	0
Oregon	0	1	0
Texas	01	12	0
Washington	0	1	0
Totals:	07	1223	0

1. Includes stores committed to be opened and for which Franchise Agreements must be signed under a signed Area Development Agreement. We expect to enter into 2-4 Area Development Agreements throughout the United States in this fiscal year. We estimate that we will award 2 franchises in Canada in 2004.

2. All numbers are as of our fiscal year end, which is January 31.

**STATUS OF COMPANY-COMPANY-OWNED STORES
FOR THE FISCAL YEARS ENDING JANUARY 31, 2002 / JANUARY 31, 2003 / DECEMBER 31,
2003⁽¹⁾ FISCAL YEARS 2001/2002/2003⁽¹⁾**

State	Stores Closed During Year	Stores Opened During Year	Total Stores Operating at Year End
California	3+2 / 0 / 5 ⁽²⁾	0+0 / 0 / 0	40+8 / 8 / 3
Connecticut	0+0 / 0 / 1 ⁽³⁾	0+0 / 0 / 0	1+1 / 1 / 0
Florida	2+0 / 0 / 0	0+0 / 0 / 0	2+2 / 0 / 0
New York	4+1 / 0 / 0	0+0 / 0 / 0	4+0 / 0 / 0
New Jersey	0+0 / 1 / 0	0+0 / 0 / 0	1+1 / 0 / 0
Texas	1+1 / 0 / 0	0+0 / 0 / 0	5+4 / 0 / 0
Totals	40+4 / 1 / 6	0+0 / 0 / 0	20+16 / 9 / 3

1. All numbers are as of our fiscal year end, which is January 31. We changed our fiscal year end from January 31 to December 31 at the end of 2003.

2. 4 of these units were transferred to a franchisee and continue to operate as Relax The Back Stores.

3. This unit was transferred to a franchisee and continues to operate as Relax The Back Store.

~~A list of the names of all franchise owners/developers and the addresses and telephone numbers of their Stores are attached as Exhibit C.~~

The names and last known home addresses and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed or otherwise has voluntarily or involuntarily ceased doing business under the franchise agreement during the last fiscal year or have not communicated with us within the last 10 weeks of the date of this Offering Circular are attached as Exhibit D.

ITEM 21 FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit B are the audited financial statements for Relax The Back Corporation (formerly RTB Acquisition Corporation) for the fiscal years ending January 31, 2002, and January 31, 2003, and December 31, 2003. ~~Our fiscal year end is January 31.~~

ITEM 22 CONTRACTS

Attached to this Offering Circular are:

Exhibit A The Relax The Back® Franchise Agreement and Exhibits
Exhibit F Area Development Agreement
Exhibit J-K Statement of Prospective Franchisee

ITEM 23 RECEIPT

Two copies of a Receipt of the Offering appear as Exhibit KL. Please sign and date one copy and return it to us. Retain the other copy for your records. If you are missing these Receipts, please contact us at this address or telephone number.

Relax The Back Corporation
17785 Center Court Drive, Suite 250
Cerritos, CA 90703
(800) 290-2225