EXHIBIT B TO THE
RELAX THE BACK CORPORATION
OFFERING CIRCULAR

FINANCIAL STATEMENTS

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

ELEVEN MONTHS ENDED DECEMBER 31, 2003

CONTENTS

Good Swartz Brown & Berns LLP

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Relax The Back Corporation (formerly
RTB Acquisition Corp.)

We have audited the accompanying balance sheet of Relax The Back Corporation (formerly RTB Acquisition Corp.) as of December 31, 2003, and the related statements of operations and accumulated deficit and cash flows for the eleven months then ended. These financial statements are the responsibility of the management of Relax The Back Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Relax The Back Corporation as of December 31, 2003 and the results of its operations and its cash flows for the eleven months then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented in the schedules of operating expenses and revenue, expenses and fund balance of advertising fund on pages 15 and 16 is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Good Swartz Brown & Berns LLP

Los Angeles, California
March 8, 2004

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

BALANCE SHEET
DECEMBER 31, 2003

ASSETS	
Current assets	
Cash	$ 952,082
Accounts receivable, less allowance for doubtful accounts of $92,000	531,336
Note receivable	325,000
Inventories	369,355
Prepaid expenses and other	227,771
Total current assets	2,405,544
Property and equipment	346,845
Other assets	
Deposits	77,320
Intangibles, net of accumulated amortization of $10,206	44,838
	122,158
	$ 2,874,547
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current liabilities	
Accounts payable and accrued expenses	$ 662,898
Customer and franchisee deposits	293,688
Total current liabilities	956,586
Long-term debt	2,982,812
Commitments (Note 6)	
Stockholders' deficit	
Preferred stock, $.0001 par value: 3,000,000 shares authorized, 300,000 Series A shares issued and outstanding	30
Common stock, $.0001 par value: 15,000,000 shares authorized, 2,216,482 shares issued and outstanding	222
Additional paid-in capital	836,448
Accumulated deficit	(1,901,351)
	(1,064,651)
Stock subscriptions receivable	(200)
	(1,064,851)
	$ 2,874,547

See notes to financial statements.

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
ELEVEN MONTHS ENDED DECEMBER 31, 2003

	Amount	% of sales
Revenues		
Sales, net of discounts and allowances	$ 6,017,172	69.4
Franchise fees	2,653,207	30.6
	8,670,379	100.0
Cost of goods sold	3,148,591	36.3
Gross profit	5,521,788	63.7
Operating expenses	6,360,789	73.4
Loss from operations	(839,001)	(9.7)
Other income (expense)		
Interest, net	(271,681)	(3.1)
Gain on sale of corporate stores	478,579	5.5
Loss on disposition of property and equipment	(226,307)	(2.6)
Other	(28,053)	(.3)
Impairment loss on write-down of property and equipment	(17,897)	(.2)
	(65,359)	(.7)
Loss before income tax expense	(904,360)	(10.4)
Income tax expense	1,100	-
Net loss	(905,460)	(10.4)%
Accumulated deficit, beginning of year	(995,891)	
Accumulated deficit, end of year	$ (1,901,351)	

See notes to financial statements.

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

STATEMENT OF CASH FLOWS
ELEVEN MONTHS ENDED DECEMBER 31, 2003

Cash flows from operating activities	
Net loss	$ (905,460)
Adjustments to reconcile net loss to net cash used in operations	
Bad debt expense	261,000
Depreciation and amortization	229,993
Gain on sale of corporate stores	(478,579)
Loss on disposition of property and equipment	226,307
Impairment loss on write-down of property and equipment	17,897
Accrued interest added to long-term debt	74,631
Changes in assets and liabilities	
Accounts receivable	(311,956)
Due from related parties	11,249
Inventories	488,702
Prepaid expenses and other	109,851
Deposits	55,880
Accounts payable and accrued expenses	(44,945)
Customer and franchisee deposits	(21,432)
Net cash used in operating activities	(286,862)
Cash flows from investing activities	
Purchase of property and equipment	(117,003)
Proceeds from sale of corporate stores	178,275
Principal payments received on notes receivable	494,253
Acquisition of trademark	(5,044)
Net cash provided by investing activities	550,481
Net change in cash	263,619
Cash, beginning of year	688,463
Cash, end of year	$ 952,082

See notes to financial statements.

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

STATEMENT OF CASH FLOWS - Continued
ELEVEN MONTHS ENDED DECEMBER 31, 2003

Supplemental disclosures of cash flow information

Cash paid during the year for

Interest	$ 155,718
Income taxes	$ 460

Supplemental schedule of non-cash investing and financing transactions

The company sold certain corporate stores in California and Connecticut. The following is a summary of the assets sold in exchange for the cash and notes received on the sale:

Cash received	$ 178,275
Notes receivable	652,387
Total selling price	830,662
Inventories	206,902
Net book value of property and equipment	145,181
Total cost	352,083
Gain on sale	$ 478,579

See notes to financial statements.

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

NOTES TO FINANCIAL STATEMENTS
ELEVEN MONTHS ENDED DECEMBER 31, 2003

1. Business activity and summary of significant accounting policies

Business activity

Relax The Back Corporation (the company) was incorporated on November 17, 2000 in the state of Delaware. The company is principally engaged in the retail sale of specialty back care products. The company's retail activities are conducted through corporate (company owned) retail stores and franchised retail stores. The company changed its fiscal year from a 52/53-week fiscal year ending on the Saturday closest to January 31 to a calendar year ending on December 31 effective for the period ended December 31, 2003. On February 7, 2003, the company changed its name from RTB Acquisition Corp. to Relax the Back Corporation.

The company was established to acquire the operations and assets and assume certain liabilities of Relax The Back Corporation (a debtor-in-possession) under an Asset Purchase Agreement dated May 31, 2001. Under the terms of the agreement, the company acquired certain assets with a net realizable value of $4,222,038 and assumed certain liabilities totaling $3,922,038. The company derives revenue from direct sales to customers at the corporate retail stores and from franchise fees and franchise royalties based on a percentage of sales, as defined in the franchising agreement, from the franchised retail stores. As of December 31, 2003, the company has three corporate retail stores and receives royalties from 84 franchised retail stores. All of the corporate and franchised retail stores are located in the United States, except for two franchised retail stores that are located in Canada.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of back care product finished goods and certain finished goods sub-assembly parts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using straight-line and declining-balance methods based on the estimated useful lives of the assets, generally ranging from two to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

1. Business activity and summary of significant accounting policies - Continued

Long-lived assets

The company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In accordance with SFAS No. 144, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The company periodically reviews the carrying value of long-lived assets to determine whether or not an impairment to such value has occurred. For the eleven months ended December 31, 2003, the carrying value of furniture and fixtures at a certain corporate retail location was reduced to its fair value and a corresponding loss on impairment of $17,897 has been recognized.

Intangible assets

Intangible assets that have indefinite useful lives are not amortized but will be tested at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives and will be subject to testing for impairment if events and circumstances warrant a change. Intangibles consist of trademarks and tradenames and are stated at cost and are being amortized using the straight-line method over their estimated useful lives.

Fair value of financial instruments

The company's financial instruments consist of cash, short-term receivables and payables, and long-term notes payable. The carrying value for all such instruments, considering the terms, approximates fair value at December 31, 2003.

Revenue recognition

Retail sales

The company recognizes retail sales at the time the customer takes possession of the merchandise and purchases are paid for, primarily with either cash or credit card. Catalog and e-commerce sales are recorded upon shipment of merchandise. Amounts relating to shipping and handling billed to customers in a sale transaction are classified as revenue and the related cost are classified as cost of goods sold. The company reserves for sales returns through estimates based on historical experience and various other assumptions that management believes to be reasonable.

1. Business activity and summary of significant accounting policies - Continued

Revenue recognition - Continued

Franchise fee and royalties

Franchise fee revenue is recognized when the company's obligations to the franchisee, per the Franchise Agreement, have been substantially completed, and when the franchisee opens a store and begins franchise operations. Franchise royalties are recognized monthly when the franchisee submits the franchisee monthly sales report to the company.

Advertising and sales promotion costs

Advertising and sales promotion costs are charged to operations as incurred, except for costs related to the company's catalog mail order activities which are deferred and amortized to expense in the periods in which catalogs are distributed. Advertising and sales promotion costs are included in operating expenses and advertising fund expenses. During the eleven months ended December 31, 2003, total advertising costs charged to expense is $253,772, and total prepaid catalog expense is $32,887.

Income taxes

The company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for future tax consequences of transactions that have been recognized in the company's financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Liquidity

For the eleven months ended December 31, 2003, the company suffered a loss of $655,460, which included $229,993 of depreciation and amortization (non-cash expenses). Management has developed and implemented a plan for increasing cash flow by continuing to sell the remainder of their corporate retail stores to help increase profitability and cash flow. Accordingly, the first month of calendar year ending December 31, 2004, the company showed a profit. At December 31, 2003, the company had cash balances of $952,082, which should be sufficient to fund the company's operations for the remainder of year ending December 31, 2004. In addition, the debt on the company's balance sheet in the amount of $2,982,812 is payable to the stockholders of the company. At December 31, 2003, the stockholders extended the maturity of this debt to April 1, 2005.

1. **Business activity and summary of significant accounting policies** - Continued

Estimates

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

New pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes accounting standards for how a company classifies and measures financial instruments that have characteristics of liabilities and equity. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the mandatorily redeemable financial instruments are subject to the provisions of this Statement for the first fiscal period beginning after December 15, 2003. The company has evaluated the impact of the adoption of SFAS No. 150 and believes that the preferred stock will be classified as a liability next year.

2. **Note receivable**

The note receivable of $325,000 is due from a franchisee for the purchase of three California corporate stores. The note is dated August 12, 2003 and does not accrue interest for the first twelve months. After that, the note accrues interest at 8%. All unpaid principal and interest is due on August 11, 2005.

3. Property and equipment

At December 31, 2003, property and equipment consists of the following:

Leasehold improvements	$ 163,666
Furniture and fixtures	120,730
Computer and other equipment	366,251
Signs	22,456
	673,103
Less accumulated depreciation	326,258
	$ 346,845

4. Long-term debt

At December 31, 2003, long-term debt consists of the following:

Notes payable, stockholder, unsecured, interest at 9.25% per annum. Interest is payable quarterly beginning May 2005, with the outstanding principal and accrued interest due May 31, 2008. Accrued unpaid interest will be added to the principal balance. As of December 31, 2003, accrued interest of $196,611 has been added to the original principal balance.	$ 946,611
Notes payable, stockholder, secured by certain assets, with certain notes bearing interest at the prime rate (4.00% at December 31, 2003) plus 4%, and other notes at 9% and 10%. Interest is payable monthly with the principal balance due April 1, 2005. Effective March 1, 2004, the interest on the notes will be 12%.	955,625
Notes payable, stockholder, secured by certain assets, with certain notes bearing interest at prime rate plus 4%, and other notes at 9% through 12.5%. Interest is payable monthly with the principal balance due April 1, 2005. Effective March 1, 2004, the interest on the notes will be 12%.	876,682
Notes payable, individuals, secured by certain assets, with interest at 9%. Interest is payable monthly with the principal balance due April 1, 2005. Effective March 1, 2004, the interest on the notes will be 12%.	203,894
	2,982,812
Less current portion	-
	$ 2,982,812

4. **Long-term debt** - Continued

The following is a schedule by years of the future minimum principal payment requirements on the company's long-term debt:

Year ending December 31,	
2004	$ -
2005	2,036,201
2006	-
2007	-
2008	946,611
	$2,982,812

5. **Stockholders' equity**

Preferred stock

The company has designated 300,000 shares of preferred stock as Series A. The remaining shares of preferred stock may be issued from time to time in one or more series. The Series A preferred stock is not to be convertible into common stock or any other security of the company. In addition, the Series A preferred stock has no voting rights.

The holders of Series A preferred stock are entitled to receive, if and when declared, noncumulative dividends at a rate of $0.08 per share. No dividend shall be paid to the holders of common stock unless all accrued but unpaid dividends on shares of the Series A preferred stock have been paid or declared and set aside for payment.

In the event of any liquidation, dissolution or winding up of the company, the holders of Series A preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the company to the holders of common stock, the amount of $1.00 per share plus all accrued but unpaid dividends, whether or not such dividends have been declared by the company.

Within 30 days after the full repayment of the $946,611 notes payable to stockholders (Note 4), but in no event later than May 31, 2008, the company is required to redeem the outstanding Series A preferred stock.

5. Stockholders' equity - Continued

Stock incentive plan

The company has established a stock incentive plan. The company has reserved 2,000,000 shares of common stock for issuance under the plan. As of December 31, 2003, no common stock has been issued under this plan.

6. Commitments and contingencies

Operating lease commitment

The company leases its retail stores and certain equipment under non-cancellable operating leases expiring through 2006. For the year ended December 31, 2003, total rental expense under the operating leases that have initial or remaining lease terms in excess of one year is $850,546. Certain leases contain options to extend the lease term and certain leases require the company to provide for all maintenance, insurance and property taxes.

The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of December 31, 2003:

Year ending December 31,	
2004	$ 366,012
2005	2,964
2006	2,470
	$ 371,446

Contingencies

On September 30, 2003, the company entered into a settlement agreement with a franchisee in Texas, whereby the franchisee is required to sell their retail store by July 15, 2004. If the store is not sold by then, the company is required to purchase the store from the franchisee for the cost of the inventory not to exceed $60,000.

7. Employee benefit plan

The company has established a 401(k) plan covering substantially all employees who have attained the age of twenty-one and have completed 90 days of service. Employee contributions are not matched.

8. Business and credit concentrations

For the eleven months ended December 31, 2003, two vendors accounted for approximately 40% of the company's purchases. One of the vendors is a related party (see Note 9).

The company's cash balances in financial institutions at times may exceed federally insured limits. At December 31, 2003, before adjustments for outstanding checks and deposits in transit, the company has approximately $984,000 on deposit with a bank. The deposits are federally insured up to $100,000.

9. Related party transactions

Due from related parties

The stockholders of the company are also the stockholders of another entity, Backsaver Acquisition Corp. (Backsaver). On August 23, 2002, the company loaned Backsaver $250,000 and the note bears interest at 12% per annum. At December 31, 2003, the company deemed this loan to be uncollectible, and, therefore, the full amount has been reserved for.

The company has established a separate advertising fund to provide advertising on behalf of the corporate and franchise stores and on-line retailing outlet. The fund receives payments from each of the franchised and corporate stores equal to 1% of net sales and then uses these funds to promote product sales. At December 31, 2003, $16,094 is due from the advertising fund. This amount is included in prepaid expenses and other.

Purchases

Backsaver is a manufacturer of specialty back care products. For the eleven months ended December 31, 2003, the company purchased $604,642 of products for sale in the company's corporate retail stores and for sale on the relaxtheback.com/backsaver.com web sites. At December 31, 2003, $30,700 was due to Backsaver.

10. Income taxes

For the year ended December 31, 2003, the provision for income taxes consists of the following:

Current	
Federal	$ -
State	1,100
	1,100
Deferred	
Federal	(87,000)
State	(84,300)
Benefit of NOL carryforward	(403,900)
Change in valuation allowance	575,200
	-
	$ 1,100

At December 31, 2003, net deferred income taxes consist of the following:

Deferred tax asset	
Benefit of net operating loss carryforward	$1,359,400
Allowance for doubtful accounts	36,300
Inventory capitalization	13,300
Other current differences	21,600
Property and equipment and accumulated depreciation	68,800
Net deferred tax asset	1,499,400
Valuation allowance	(1,499,400)
	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary differences that give rise to the deferred tax assets and liabilities are depreciation, inventory capitalization, net operating loss (NOL) carryforwards and the allowance for doubtful accounts.

At December 31, 2003, the company has approximately $3,550,000 of federal NOL carryforwards and approximately $2,610,000 of California NOL carryforwards expiring in varying amounts through 2023. Realization of the NOL carryforwards is dependent on the company generating sufficient taxable income prior to expiration of the NOL carryforwards. The company has recorded a 100% valuation allowance against the deferred tax asset due to uncertainty of their ultimate realization.

SUPPLEMENTARY INFORMATION

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

SCHEDULE OF OPERATING EXPENSES
ELEVEN MONTHS ENDED DECEMBER 31, 2003

	Amount	% of sales
Advertising and promotion	$ 253,772	3.0%
Automobile	46,529	.5
Bad debt expense	261,000	3.0
Bank and other charges	43,347	.5
Computer expense	200,280	2.3
Credit card fees	175,986	2.0
Depreciation and amortization	229,993	2.7
Employee recruitment	29,959	.3
Insurance	204,390	2.4
Legal and professional	204,245	2.4
Marketing	54,193	.6
Meals and entertainment	24,943	.3
Miscellaneous	10,280	.1
Office supplies	30,266	.3
Outside services	178,175	2.1
Payroll taxes	164,653	1.9
Postage and delivery	20,736	.2
Rent	850,546	9.8
Repairs and maintenance	16,888	.2
Salaries	2,152,784	24.8
Selling expense	933,305	10.8
Taxes and licenses	28,837	.3
Telephone	74,304	.9
Travel	131,919	1.5
Utilities	39,459	.5
	$ 6,360,789	73.4%

RELAX THE BACK CORPORATION
(FORMERLY RTB ACQUISITION CORP.)

SCHEDULE OF REVENUE, EXPENSES AND FUND BALANCE OF ADVERTISING FUND ELEVEN MONTHS ENDED DECEMBER 31, 2003

Advertising fund revenue	$ 663,585
Advertising fund expenses	
Bad debts	4,356
Marketing salaries	87,421
Media production and catalog expenses	131,692
Miscellaneous	6,734
Newspaper ads, television, radio and other ads	471,438
Professional fees	17,600
	719,241
Excess of advertising fund expenses over fund revenues	(55,656)
Fund balance, beginning of year	189,468
Fund balance, end of year	$ 133,812

Good Swartz Brown & Berns LLP

Certified Public Accountants and Business Advisors

RTB ACQUISITION CORP.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JANUARY 31, 2003

RTB ACQUISITION CORP.

YEAR ENDED JANUARY 31, 2003

CONTENTS

Good
Swartz
Brown
& Berns LLP

Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
RTB Acquisition Corp.

We have audited the accompanying balance sheet of RTB Acquisition Corp. as of January 31, 2003, and the related statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of RTB Acquisition Corp. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RTB Acquisition Corp. as of January 31, 2003 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of operating expenses and revenue, expenses and fund balance of advertising fund on pages 15 and 16 is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Good Swartz Brown & Berns LLP

Los Angeles, California
March 19, 2003

RTB ACQUISITION CORP.

BALANCE SHEET
JANUARY 31, 2003

ASSETS	
Current assets	
Cash	$ 688,463
Accounts receivable, less allowance for doubtful accounts of $81,000	230,380
Due from related parties	320,169
Notes receivable	166,866
Inventories	1,064,959
Prepaid expenses and other	278,702
Total current assets	2,749,539
Property and equipment	839,713
Other assets	
Deposits	133,200
Intangibles, net of accumulated amortization of $5,577	44,423
	177,623
	$ 3,766,875
LIABILITIES AND STOCKHOLDERS' DEFCIT	
Current liabilities	
Accounts payable and accrued expenses	$ 707,843
Customer and franchisee deposits	310,242
Total current liabilities	1,018,085
Long-term debt	2,908,181
Commitments (Note 6)	
Stockholders' deficit	
Preferred stock, $.0001 par value: 3,000,000 shares authorized, 300,000 Series A shares issued and outstanding	30
Common stock, $.0001 par value: 15,000,000 shares authorized, 2,216,482 shares issued and outstanding	222
Additional paid-in capital	836,448
Retained earnings	(995,891)
	(159,191)
Stock subscriptions receivable	(200)
	(159,391)
	$ 3,766,875

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT
YEAR ENDED JANUARY 31, 2003

	Amount	% of sales
Revenues		
Sales, net of discounts and allowances	$11,384,444	83.8%
Franchise fees	2,193,829	16.2
	13,578,273	100.0
Cost of goods sold	5,845,335	43.0
Gross profit	7,732,938	57.0
Operating expenses	8,264,581	60.9
Loss from operations	(531,643)	(3.9)
Other income (expense)		
Interest, net	(248,240)	(1.9)
Gain on sale of corporate stores	326,204	2.4
	77,964	.5
Loss before income tax expense	(453,679)	(3.4)
Income tax expense	4,600	-
Net loss	(458,279)	(3.4)%
Accumulated deficit, beginning of year	(537,612)	
Accumulated deficit, end of year	$ (995,891)	

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF CASH FLOWS
YEAR ENDED JANUARY 31, 2003

Cash flows from operating activities	
Net loss	$ (458,279)
Adjustments to reconcile net loss to net cash used in operations	
Bad debt expense	14,818
Depreciation and amortization	336,460
Gain on sale of corporate stores	(326,204)
Accrued interest added to long-term debt	74,766
Changes in assets and liabilities	
Accounts receivable	69,895
Due from related parties	(320,169)
Inventories	(14,062)
Prepaid expenses and other	(230,311)
Deposits	23,009
Accounts payable and accrued expenses	(164,475)
Due to related party, net	(267,542)
Customer and franchisee deposits	(25,455)
Net cash used in operating activities	(1,287,549)
Cash flows from investing activities	
Purchase of property and equipment	(197,354)
Proceeds from sale of corporate stores	670,805
Principal payments received on notes receivable	146,016
Net cash provided by investing activities	619,467
Cash flows from financing activities	
Proceeds from long-term debt	250,000
Payments on long-term debt	(15,000)
Net cash provided by financing activities	235,000
Net decrease in cash	(433,082)
Cash, beginning of year	1,121,545
Cash, end of year	$ 688,463

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF CASH FLOWS - Continued
YEAR ENDED JANUARY 31, 2003

Supplemental disclosures of cash flow information

Cash paid during the year for

Interest	$ 185,880
Income taxes	$ 4,600

Supplemental schedule of non-cash investing and financing transactions

The company sold its corporate stores in Texas and Florida. The following is a summary of the assets sold in exchange for the cash and notes received on the sale:

Cash received	$ 670,805
Notes receivable	312,882
Total selling price	983,687
Inventories	371,725
Net book value of property and equipment	278,479
Lease deposits	7,279
Total cost	657,483
Gain on sale	$ 326,204

See notes to financial statements.

1. Business activity and summary of significant accounting policies

Business activity

RTB Acquisition Corp. (the company) was incorporated on November 17, 2000 in the state of Delaware. The company is principally engaged in the retail sale of specialty back care products. The company's retail activities are conducted through corporate (company owned) retail stores and franchised retail stores. The company utilizes a 52/53-week fiscal year reporting period ending on the Saturday closest to January 31. Fiscal year 2002 consisted of the 52 weeks ended February 1, 2003. On February 7, 2003, the company changed its name from RTB Acquisition Corp. to Relax the Back Corporation.

The company was established to acquire the operations and assets and assume certain liabilities of Relax The Back Corporation (a debtor-in-possession) under an Asset Purchase Agreement dated May 31, 2001. Under the terms of the agreement, the company acquired certain assets with a net realizable value of $4,222,038 and assumed certain liabilities totaling $3,922,038. The company derives revenue from direct sales to customers at the corporate retail stores and from franchise fees and franchise royalties based on a percentage of sales, as defined in the franchising agreement, from the franchised retail stores. As of January 31, 2003, the company has nine corporate retail stores and receives royalties from 72 franchised retail stores. There was one franchised store closed during the year ended January 31, 2003. All of the corporate and franchised retail stores are located in the United States, except for two franchised retail stores that are located in Canada.

The above-described purchase included an investment that comprised 92% of the outstanding common stock of Backsaver.com. Backsaver.com was incorporated June 17, 1999, in the state of Delaware, and was formed for the purpose of engaging in online retailing of specialty back care, posture and other health related products. As the investment consisted of a majority of the outstanding common stock of Backsaver.com, it became a consolidated subsidiary of the company. Effective February 1, 2002, the company entered into an Agreement of Merger with Backsaver.com. Under the terms of the agreement, the company was to exchange 216,482 shares of its common stock for the capital stock of Backsaver.com, which included common and preferred shares. Upon determination of the fair value of Backsaver.com by an independent appraiser (fair value being $536,500), it was determined that the liquidation preference of certain preferred shares exceeded the fair value of Backsaver.com. As such, upon consummation of the merger, only those preferred shareholders received shares of company common stock in exchange for their shares. The remaining common and other preferred shares of Backsaver.com were canceled. The result of the exchange of common shares of the company for certain preferred shares of Backsaver.com was that Relax The Back Corporation became the surviving entity, while Backsaver.com ceased to exist. At the date of the merger, the net book value of Backsaver.com was in excess of its fair value by $125,260. Accordingly, the website development costs of Backsaver.com were reduced by this amount.

1. Business activity and summary of significant accounting policies - Continued

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of back care product finished goods and certain finished goods sub-assembly parts.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using straight-line and declining-balance methods based on the estimated useful lives of the assets, generally ranging from two to ten years. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

Goodwill and other intangible assets

Goodwill and other intangible assets that have indefinite useful lives are not amortized but will be tested at least annually for impairment. Intangible assets that have finite lives will continue to be amortized over their useful lives and will be subject to testing for impairment if events and circumstances warrant a change. Intangibles consist of trademarks and tradenames and are being amortized using the straight-line method over their estimated useful lives.

Fair value of financial instruments

The company's financial instruments consist of cash, short-term receivables and payables, and long-term notes payable. The carrying value for all such instruments, considering the terms, approximates fair value at January 31, 2003.

1. Business activity and summary of significant accounting policies - Continued

Revenue recognition

Retail sales

The company recognizes retail sales at the time the customer takes possession of the merchandise and purchases are paid for, primarily with either cash or credit card. Catalog and e-commerce sales are recorded upon shipment of merchandise. Amounts relating to shipping and handling billed to customers in a sale transaction are classified as revenue and the related cost are classified as cost of goods sold. The company reserves for sales returns through estimates based on historical experience and various other assumptions that management believes to be reasonable.

Franchise fee and royalties

Franchise fee revenue is recognized when the company's obligations to the franchisee, per the Franchise Agreement, have been substantially completed, and when the franchisee opens a store and begins franchise operations. Franchise royalties are recognized monthly when the franchisee submits the franchisee monthly sales report to the company.

Advertising and sales promotion costs

Advertising and sales promotion costs are charged to operations as incurred, except for costs related to the company's catalog mail order activities which are deferred and amortized to expense in the periods in which catalogs are distributed. Advertising and sales promotion costs are included in operating expenses and advertising fund expenses. During the year ended January 31, 2003, total advertising costs charged to expense is $610,974, and total prepaid catalog expense is $95,000.

Income taxes

The company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for future tax consequences of transactions that have been recognized in the company's financial statements or tax returns. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

1. Business activity and summary of significant accounting policies - Continued

Liquidity

For the year ended January 31, 2003, the company suffered a loss of $458,279, which included $336,460 of depreciation and amortization (non-cash expenses). During the first month of fiscal year January 31, 2004, the company has continued to suffer losses. Accordingly, management has developed and implemented a plan for increasing cash flow by more adequately stocking inventory for sale in the retail stores. In order for this plan to be successful, the company will need to experience increased sales volume for the remainder of the fiscal year, which management anticipates due to the greater selection of inventory in the retail stores. In addition, the company is considering selling the remainder of their corporate retail stores to help increase profitability and cash flow. As of January 31, 2003, the company had cash balances of $688,463, which should be sufficient to fund the current level of operating losses of the company, for the remainder of fiscal year ending January 31, 2004. In addition, of the debt on the company's balance sheet, $1,832,307 is payable to the stockholders of the company. As of January 31, 2003, the stockholders extended the maturity of this debt to March 2004.

Estimates

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

2. Notes receivable

Notes receivable consist of two notes from a franchisee for the purchase of the Texas corporate stores. The notes, which originally totaled $212,799, are non-interest bearing and are payable in 6 to 12 monthly installments. The notes mature in June 2003 and January 2004. At January 31, 2003, the remaining principal balance on the notes is $166,866.

3. Property and equipment

At January 31, 2003, property and equipment consist of the following:

Leasehold improvements	$ 471,112
Furniture and fixtures	282,451
Computer and other equipment	463,879
Signs	60,549
	1,277,991
Less accumulated depreciation	438,278
	$ 839,713

4. Long-term debt

At January 31, 2003, long-term debt consists of the following:

Notes payable, third party, unsecured, interest at 9.25% per annum. Interest is payable quarterly beginning May 2005, with the outstanding principal and accrued interest due May 31, 2008. Accrued unpaid interest will be added to the principal balance. As of January 31, 2003, accrued interest of $121,980 has been added to the original principal balance.	$ 871,980
Notes payable, stockholder, secured by certain assets, with certain notes bearing interest at the prime rate (4.25% at January 31, 2003) plus 4%, and other notes at 9% and 10%. Interest is payable monthly with the principal balance due March 31, 2004.	955,625
Notes payable, stockholder, secured by certain assets, with certain notes bearing interest at prime rate plus 4%, and other notes at 9% through 12.5%. Interest is payable monthly with the principal balance due March 31, 2004.	876,682
Notes payable, individuals, secured by certain assets, with interest at 9%. Interest is payable monthly with the principal balance due May 31, 2004.	203,894
	2,908,181
Less current portion	-
	$2,908,181

4. Long-term debt - Continued

The following is a schedule by years of the future minimum principal payment requirements on the company's long-term debt:

Year ending January 31,	
2004	$ -
2005	2,036,201
2006	-
2007	-
2008	-
Thereafter	871,980
	$2,908,181

5. Stockholders' equity

Preferred stock

The company has designated 300,000 shares of preferred stock as Series A. The remaining shares of preferred stock may be issued from time to time in one or more series. The Series A preferred stock is not to be convertible into common stock or any other security of the company. In addition, the Series A preferred stock has no voting rights.

The holders of Series A preferred stock are entitled to receive, if and when declared, noncumulative dividends at a rate of $0.08 per share. No dividend shall be paid to the holders of common stock unless all accrued but unpaid dividends on shares of the Series A preferred stock have been paid or declared and set aside for payment.

In the event of any liquidation, dissolution or winding up of the company, the holders of Series A preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the company to the holders of common stock, the amount of $1.00 per share plus all accrued but unpaid dividends, whether or not such dividends have been declared by the company.

Within 30 days after the full repayment of the $871,980 third party notes payable (Note 4), but in no event later than May 31, 2008, the company is required to redeem the outstanding Series A preferred stock.

Stock incentive plan

The company has established a stock incentive plan. The company has reserved 2,000,000 shares of common stock for issuance under the plan. As of January 31, 2003, no common stock has been issued under this plan.

6. Commitments

The company leases its retail stores and certain equipment under non-cancellable operating leases expiring through 2008. For the year ended January 31, 2003, total rental expense under the operating leases that have initial or remaining lease terms in excess of one year is $1,668,851. Certain leases contain options to extend the lease term. Certain leases require the company to provide for all maintenance, insurance and property taxes.

The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of January 31, 2003:

Year ending January 31,	
2004	$1,009,998
2005	930,786
2006	729,243
2007	508,548
2008	347,458
Thereafter	120,846
	$3,646,879

7. Employee benefit plan

The company has established a 401(k) plan covering substantially all employees who have attained the age of twenty-one and have completed 90 days of service. Employee contributions are not matched.

8. Business and credit concentrations

For the year ended January 31, 2003, two vendors accounted for approximately 76% of the company's purchases. One of the vendors is a related party (see Note 9).

The company's cash balances in financial institutions at times may exceed federally insured limits. As of January 31, 2003, before adjustments for outstanding checks and deposits in transit, the company has approximately $745,000 on deposit with a bank. The deposits are federally insured up to $100,000.

9. Related party transactions

Due from related parties

The stockholders of the company are also the stockholders of another entity, Backsaver Acquisition Corp (Backsaver). On August 23, 2002, the company entered into a secured promissory note for $250,000, which bears interest at 10% per annum, with Backsaver. During the period from August 23, 2002 to January 31, 2003, the company accrued interest of $11,250 on the note, bringing the balance to $261,250. There were no payments received during the year ended January 31, 2003 related to this note.

The company has established a fund to provide advertising on behalf of the corporate and franchise stores and on-line retailing outlet. At January 31, 2003, $58,919 is due from the company's advertising fund.

Purchases

Backsaver is a manufacturer of specialty back care products. For the year ended January 31, 2003, the company purchased $2,096,834 of products for sale in the company's corporate retail stores and for sale on the relaxtheback.com/backsaver.com web sites.

10. Income taxes

For the year ended January 31, 2003, the provision for income taxes consists of the following:

Current	
Federal	$ -
State	1,100
Prior year understatement of income tax expense	3,500
	4,600
Deferred	
Federal	247,500
State	52,900
Benefit of NOL carryforward	(281,500)
Change in valuation allowance	(18,900)
	-
	$ 4,600

10. Income taxes - Continued

At January 31, 2003, net deferred income taxes consist of the following:

Deferred tax asset	
Benefit of net operating loss carryforward	$1,006,100
Allowance for doubtful accounts	32,200
Inventory capitalization	23,600
Other current differences	21,800
	1,083,700
Deferred tax liability	
Property and equipment and accumulated depreciation	(159,500)
Net deferred tax asset	924,200
Valuation allowance	(924,200)
	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary differences that give rise to the deferred tax assets and liabilities are depreciation, inventory capitalization, net operating loss (NOL) carryforwards and the allowance for doubtful accounts.

At January 31, 2003, the company has $2,700,000 of federal NOL carryforwards and approximately $1,600,000 of California NOL carryforwards expiring in varying amounts through 2023. Realization of the NOL carryforwards is dependent on generating sufficient taxable income prior to expiration of the NOL carryforwards. The company has recorded a 100% valuation allowance against the deferred tax asset due to uncertainty of their ultimate realization.

11. Impairment of goodwill and other intangibles

Effective January 1, 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 establishes a new method of testing goodwill and other intangibles for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The company periodically reviews the carrying value of intangibles to determine whether or not an impairment to such value has occurred. No impairments were recorded during the year ended January 31, 2003.

SUPPLEMENTARY INFORMATION

RTB ACQUISITION CORP.

SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JANUARY 31, 2003

	Amount	% of sales
Advertising and promotion	$ 610,974	4.5%
Automobile	33,958	.3
Bad debt expense	14,818	.1
Bank and other charges	50,777	.4
Computer expense	162,617	1.2
Credit card fees	284,711	2.1
Depreciation and amortization	336,460	2.5
Employee benefits	32,633	.2
Equipment rental	50,092	.4
Insurance	308,037	2.3
Legal and professional	394,630	2.9
Meals and entertainment	28,454	.2
Miscellaneous	9,053	.1
Office supplies and expense	48,402	.4
Outside services	76,173	.6
Payroll taxes	246,178	1.8
Postage and delivery	30,475	.2
Rent	1,668,851	12.3
Repairs and maintenance	39,188	.3
Salaries	3,087,990	22.7
Selling expense	371,239	2.7
Taxes and licenses	48,088	.4
Telephone	125,114	.9
Travel	106,948	.8
Utilities	98,721	.6
	$8,264,581	60.9%

RTB ACQUISITION CORP.

SCHEDULE OF REVENUE, EXPENSES AND
FUND BALANCE OF ADVERTISING FUND
YEAR ENDED JANUARY 31, 2003

Advertising fund revenue	$ 627,222
Advertising fund expenses	
Bad debts	4,428
Computer and internet charges	46,910
Marketing salaries	81,257
Media production and catalog expenses	121,032
Miscellaneous	7,330
Newspaper ads, television, radio and other ads	588,529
Professional fees	19,200
	868,686
Excess of advertising fund expenses over fund revenues	(241,464)
Fund balance, beginning of year	430,932
Fund balance, end of year	$ 189,468

RTB ACQUISITION CORP.

YEAR ENDED JANUARY 31, 2002

CONTENTS

Good
Swartz
Brown
& Berns llp

Certified Public Accountants
and Business Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
RTB Acquisition Corp.
Santa Fe Springs, California

We have audited the accompanying balance sheet of RTB Acquisition Corp. as of January 31, 2002, and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the management of RTB Acquisition Corp.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RTB Acquisition Corp. as of January 31, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenue, expenses and fund balance of advertising fund on page 14 is presented for the purpose of additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Good Swartz Brown & Berns LLP

Los Angeles, California
March 21, 2002

11755 Wilshire Boulevard · 17th Floor · Los Angeles | CA 90025 TEL: 310.477.3722 | FAX: 310.312.0838

RTB ACQUISITION CORP.

BALANCE SHEET
JANUARY 31, 2002

ASSETS	
Current assets	
Cash	$ 1,121,545
Accounts receivable, less allowance for doubtful accounts of $66,000	315,093
Inventories	1,446,136
Prepaid expenses and other	48,392
Total current assets	2,931,166
Property and equipment	1,198,979
Other assets	
Deposits	163,488
Intangibles, net of accumulated amortization of $53,911	53,679
Website development costs, net of accumulated amortization of $634,151	25,548
	242,715
	$4,372,860
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable and accrued expenses	$ 872,319
Due to related party, net	267,542
Customer and franchisee deposits	335,696
Current portion of long-term debt	15,000
Total current liabilities	1,490,557
Long-term debt, net of current portion	2,583,415
Commitments (Note 5)	
Stockholders' equity	
Preferred stock, $.0001 par value: 3,000,000 shares authorized, 300,000 Series A shares issued and outstanding	30
Common stock, $.0001 par value: 15,000,000 shares authorized, 2,216,482 shares issued and outstanding	222
Additional paid-in capital	836,448
Retained earnings	(537,612)
	299,088
Stock subscriptions receivable	(200)
	298,888
	$4,372,860

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF OPERATIONS
YEAR ENDED JANUARY 31, 2002

	Amount	% of sales
Sales, net of discounts and allowances	$10,111,409	100.0%
Cost of goods sold	4,599,930	45.5
Gross profit	5,511,479	54.5
Operating expenses	5,910,998	58.5
Loss from operations	(399,519)	(4.0)
Other income (expense)		
Interest, net	(142,056)	(1.3)
Other	5,863	-
	(136,193)	1.3)
Loss before income tax expense	(535,712)	(5.3)
Income tax expense	1,900	-
Net loss	$ (537,612)	(5.3)%

See notes to financial statements.

RTB ACQUISITION CORP.
STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED JANUARY 31, 2002

	Series A preferred stock		Common stock		Additional	Accumulated	Stock subcriptions	
	Shares	Amount	Shares	Amount	paid-in capital	deficit	receivable	Total
Balance, January 31, 2001	-	$ -	-	$ -	$ -	$ -	$ -	$ -
Common stock issued			2,000,000	200			(200)	-
Preferred stock issued upon conversion of debt	300,000	30			299,970			300,000
Common stock issued for Backsaver.com stock			216,482	22	536,478			536,500
Net loss	-	-	-	-	-	(537,612)	-	(537,612)
Balance, January 31, 2002	300,000	$ 30	2,216,482	$ 222	$ 836,448	$ (537,612)	$ (200)	$ 298,888

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF CASH FLOWS
YEAR ENDED JANUARY 31, 2002

Cash flows from operating activities	
Net loss	$ (537,612)
Adjustments to reconcile net loss to net cash used in operations	
Bad debt expense	55,482
Depreciation and amortization	487,701
Changes in assets and liabilities	
Accounts receivable	(124,430)
Inventories	318,507
Prepaid expenses and other	86,027
Deposits	28,123
Website development costs	(8,400)
Accounts payable and accrued expenses	(207,673)
Due to related party, net	(187,343)
Customer and franchisee deposits	(209,608)
Net cash used in operating activities	(299,226)
Cash flows from investing activities	
Purchase of property and equipment	(10,185)
Cash flows from financing activities	
Proceeds from long-term debt	650,000
Payments on long-term debt	(15,000)
Cash balances included in purchase of Relax The Back Corporation assets	795,956
Net cash provided by financing activities	1,430,956
Net change in cash	1,121,545
Cash, beginning of year	-
Cash, end of year	$ 1,121,545

See notes to financial statements.

RTB ACQUISITION CORP.

STATEMENT OF CASH FLOWS - Continued
YEAR ENDED JANUARY 31, 2002

Supplemental disclosures of cash flow information

Cash paid during the year for

Interest	$ 73,175
Income taxes	$ -

Supplemental schedule of noncash investing and financing transactions

The company purchased substantially all of the assets and assumed the liabilities of Relax The Back Corporation, a debtor-in possession. The liabilities assumed included $300,000 of debt payable to the existing holders of the common stock of RTB Acquisition Corp. In conjunction with the purchase, these stockholders converted the $300,000 of debt to 300,000 shares of Series A preferred stock. Following is a summary of the purchase transaction:

Net realizable value of assets purchased	$ 4,222,038
Remaining liabilities assumed after conversion of debt to preferred stock	3,922,038
Debt converted to preferred stock	$ 300,000

In conjunction with the merger of RTB Acquisition Corp. and Backsaver.com, the web development costs of Backsaver.com were reduced by $126,250.

See notes to financial statements.

RTB ACQUISITION CORP.

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JANUARY 31, 2002

1. Summary of significant accounting policies and business activity

Business activity

RTB Acquisition Corp. (the company) was incorporated on November 17, 2000 in the state of Delaware. The company is principally engaged in the retail sale of specialty back care products. The company's retail activities are conducted through corporate (company owned) retail stores and franchised retail stores. The company utilizes a 52/53-week fiscal year reporting period ending on the Saturday closest to January 31. Fiscal year 2001 consisted of the 52 weeks ended February 2, 2002.

The company was established to acquire the operations and assets, and assume certain liabilities of Relax The Back Corporation (a debtor-in-possession) under an Asset Purchase Agreement dated May 31, 2001. Under the terms of the agreement, the company acquired certain assets with a net realizable value of $4,222,038 and assumed certain liabilities totaling $3,922,038. The company continues the operations of Relax the Back Corporation, and derives revenue from direct sales to customers at the corporate retail stores and from franchise fees and franchise royalties based on a percentage of sales, as defined in the franchising agreement, from the franchised retail stores. As of January 31, 2002, the company has 16 corporate retail stores and receives royalties from 68 franchised retail stores. There were three franchised stores closed during the year ended January 31, 2002. All of the corporate and franchised retail stores are located in the United States, except for two franchised retail stores that are located in Canada.

The above-described purchase included an investment which comprised 92% of the outstanding common stock of Backsaver.com. Backsaver.com was incorporated June 17, 1999 in the state of Delaware and was formed for the purpose of engaging in online retailing of specialty back care, posture and other health related products. As the investment consisted of a majority of the outstanding common stock of Backsaver.com, it became a consolidated subsidiary of the company. Effective February 1, 2002, the company entered into an Agreement of Merger with Backsaver.com. Under the terms of the agreement, the company was to exchange 216,482 shares of its common stock for the capital stock of Backsaver.com, which included common and preferred shares. Upon determination of the fair value of Backsaver.com by an independent appraiser (fair value being $536,500), it was determined that the liquidation preference of certain preferred shares exceeded the fair value of Backsaver.com. As such, upon consummation of the merger, only those preferred shareholders received shares of company common stock in exchange for their shares. The remaining common and other preferred shares of Backsaver.com were canceled. The result of the exchange of common shares of the company for certain of the preferred shares of Backsaver.com, was for the company to be the surviving entity and Backsaver.com ceasing to exist. At the date of the merger, the net book value of Backsaver.com was in excess of its fair value by $125,260. Accordingly, the website development costs of Backsaver.com were reduced by this amount.

These financial statements include the operations and cash flows of the Relax the Back Corporation and Backsaver.com operations acquired, for the eight-month period from May 31, 2001 (date of acquisition) to January 31, 2002.

1. **Summary of significant accounting policies and business activity - Continued**

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of back care product finished goods and certain finished goods sub-assembly parts.

Property and equipment and depreciation

Property and equipment are stated at cost. Depreciation is provided using the accelerated and straight-line methods over the estimated useful lives of the assets.

Intangibles

Intangibles consist of trademarks and tradenames. Amortization is provided using the straight-line method over the estimated useful lives, not to exceed 40 years.

Website development costs

Website development costs consist of costs incurred to develop upgrades and enhancements that increase the functions of the website software. Amortization is provided using the straight-line method over the estimated useful life of 2 years.

Revenue recognition

The company recognizes retail sales at the time the customer takes possession of the merchandise and purchases are paid for, primarily with either cash or credit card. Catalog and e-commerce sales are recorded upon shipment of merchandise. Amounts relating to shipping and handling billed to customers in a sale transaction are classified as revenue and the related cost are classified as cost of goods sold. The company reserves for sales returns through estimates based on historical experience and various other assumptions that management believes to be reasonable.

Advertising and sales promotion costs

Advertising and sales promotion costs are charged to operations as incurred, except for costs related to the company's catalog mail order activities which are deferred and amortized to expense in the periods in which catalogs are distributed. Advertising and sales promotion costs are included in operating expenses and advertising fund expenses. During the year ended January 31, 2002, total advertising costs charged to expense is $506,077, and total prepaid catalog expense is $35,078.

1. Summary of significant accounting policies and business activity - Continued

Liquidity

For the year ended January 31, 2002, the company suffered a loss of $537,612, which included $487,701 of depreciation and amortization (non-cash expenses). During the first two months of fiscal year January 31, 2003, the company has continued to suffer losses. Accordingly, management has developed and implemented a plan for increasing cash flow by more adequately stocking inventory for sale in the retail stores. In order for this plan to be successful, the company will need to experience increased sales volume for the remainder of the fiscal year, which management anticipates due to the greater selection of inventory in the retail stores. As of January 31, 2002, the company had cash balances of $1,121,545, which should be sufficient to fund the current level of operating losses of the company, for the remainder of fiscal year January 31, 2003. In addition, of the debt on the company's balance sheet, $1,582,307 is payable to the stockholders of the company. As of January 31, 2002, the stockholders extended the maturity of this debt by one year to various dates between May 2003 and December 2003.

Estimates

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

2. Property and equipment

At January 31, 2002, property and equipment consist of the following:

Leasehold improvements	$ 530,101
Furniture and fixtures	374,855
Computer and other equipment	457,868
Signs	52,462
	1,415,286
Less accumulated depreciation	216,307
	$1,198,979

3. **Long-term debt**

At January 31, 2002, long-term debt consists of the following:

Notes payable, third party, unsecured, interest at 9.25% per annum. Interest is payable quarterly beginning May 2005, with the outstanding principal and accrued interest due May 31, 2008. Accrued unpaid interest will be added to principal balance. As of January 31, 2002, accrued interest of $47,214 has been added to the original principal balance.	$ 797,214
Notes payable, stockholders, secured by certain assets, with certain notes bearing interest at the prime rate plus 4%, and other notes at 9%. Interest is payable monthly with the principal balance due May 31, 2003.	932,307
Notes payable, stockholders, secured by certain assets, interest from 10% to 12.5% annually. Interest is payable monthly with the principal balance due during September 2003 and December 2003.	650,000
Notes payable, individuals, secured by certain assets, with interest at 9%. Interest is payable monthly with the principal balance due May 31, 2002 and 2003.	218,894
	2,598,415
Less current portion	15,000
	$2,583,415

The following is a schedule by years of the future minimum principal payment requirements on the company's long-term debt:

Year ending January 31,	
2003	$ 15,000
2004	1,786,201
2005	-
2006	-
2007	-
Thereafter	797,214
	$2,598,415

4. Stockholders' equity

Preferred stock

The company has designated 300,000 shares of preferred stock as Series A. The remaining shares of preferred stock may be issued from time to time in one or more series. The Series A preferred stock is not to be convertible into common stock or any other security of the company. In addition, the Series A preferred stock has no voting rights.

The holders of Series A preferred stock are entitled to receive, if and when declared, noncumulative dividends at a rate of $0.08 per share. No dividend shall be paid to the holders of common stock unless all accrued but unpaid dividends on shares of the Series A preferred stock have been paid or declared and set aside for payment.

In the event of any liquidation, dissolution or winding up of the company, the holders of Series A preferred stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the company to the holders of common stock, the amount of $1.00 per share plus all accrued but unpaid dividends, whether or not such dividends have been declared by the company.

Within 30 days after the full repayment of the $750,000 third party notes payable (Note 3), but in no event later than May 31, 2008, the company is required to redeem the outstanding Series A preferred stock.

Stock incentive plan

The company has established a stock incentive plan. The company has reserved 2,000,000 shares of common stock for issuance under the plan. As of January 31, 2002, no common stock has been issued under this plan.

5. Commitments

The company leases its retail stores and certain equipment under non-cancellable operating leases expiring through 2011. For the year ended January 31, 2002, total rental expense under the operating leases that have initial or remaining lease terms in excess of one year is $1,255,000. Certain leases contain options to extend the lease term. Certain leases require the company to provide for all maintenance, insurance and property taxes.

5. **Commitments** - Continued

The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of January 31, 2002:

Year ending January 31,	
2003	$1,475,757
2004	1,090,542
2005	926,478
2006	830,168
2007	561,900
Thereafter	463,255
	$5,348,100

6. **Employee benefit plan**

The company has established a 401(k) plan covering substantially all employees who have attained the age of twenty-one and have completed 90 days of service. Employee contributions are not matched.

7. **Business concentration**

The company's cash balances in financial institutions at times may exceed federally insured limits. As of January 31, 2002, before adjustments for outstanding checks and deposits in transit, the company has approximately $1,265,000 on deposit with a bank. The deposits are federally insured up to $100,000.

8. **Related party transactions**

The stockholders of the company are also the stockholders of another entity, Backsaver Acquisition Corp. At January 31, 2002, the company owes this entity $267,542.

Backsaver Acquisition Corp. is a manufacturer of specialty back care products. For the year ended January 31, 2002, the company purchased $1,780,921 of products for sale in the company's corporate retail stores and for sale on the Backsaver.com web site.

RTB ACQUISITION CORP.

NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JANUARY 31, 2002

9. Income taxes

For the year ended January 31, 2002, the provision for income taxes consists of the following:

Current	
Federal	$ -
State	1,900
	1,900
Deferred	
Federal	(5,800)
State	(12,000)
Benefit of NOL carryforward	(205,200)
Change in valuation allowance	223,000
	-
	$ 1,900

At January 31, 2002, net deferred income taxes consist of the following:

Deferred tax asset	
Federal	$ 825,400
State	117,700
Valuation allowance	(943,100)
	$ -

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The major temporary differences that give rise to the deferred tax assets and liabilities are depreciation, net operating loss (NOL) carryforwards and the allowance for doubtful accounts.

At January 31, 2002, $917,000 of the deferred tax assets is the result of Federal NOL carryforwards of $2,478,000 and California NOL carryforwards of $1,266,000. The NOL carryforwards represent losses incurred during the eight month period ending January 31, 2002 plus the remaining NOL's of Backsaver.com from its inception. The NOL carryforwards expire through 2022.

Realization of the NOL carryforwards is dependent on generating sufficient taxable income prior to expiration of the NOL carryforwards. The company has recorded a 100% valuation allowance against the deferred tax asset due to uncertainty of their ultimate realization.

SUPPLEMENTARY INFORMATION

RTB ACQUISITION CORP.

SCHEDULE OF REVENUE, EXPENSES AND FUND BALANCE OF ADVERTISING FUND YEAR ENDED JANUARY 31, 2002

Advertising fund revenue	$ 458,566
Advertising fund expenses	
Bad debts	25,487
Computer and internet charges	16,727
Marketing salaries	44,247
Media production and catalog expenses	87,175
Miscellaneous	265
Newspaper ads	32,296
Professional fees	12,000
Trade shows	47,627
	265,824
Excess of advertising fund revenues over fund expense	192,742
Fund balance, beginning of year	238,190
Fund balance, end of year	$ 430,932