

## FRANCHISE DISCLOSURE DOCUMENT



### **The Xercize Studio, LLC**

A New York Limited Liability Company  
24 West Main Street, #211  
Clinton, CT 06413  
Phone: 212.997.5550  
General: 800 IMX-1336  
email: [info@imxpilates.com](mailto:info@imxpilates.com)  
[imxpilates.com](http://imxpilates.com)

IM=X<sup>®</sup> Pilates and Fitness franchises operate studios that offer pilates, strength training, back exercise, personal training, cardiovascular exercise and fitness programs in private, semi-private and group settings. We offer two types of franchises. Fitness studio (“Fitness Studio”) and Personal Training studio (“Personal Training Studio”) franchises (collectively “Franchised Business”) which each specialize in our proprietary IM=X<sup>®</sup> Pilates, Tower/Tower Barre, Platform, Back Exercise and Personal Training.

The total investment necessary to begin operation of a single Fitness Studio franchise ranges from \$151,300 to \$340,295. This includes \$48,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening, as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500. The total investment necessary to begin operation of a single Personal Training Studio franchise ranges from \$84,900 to \$221,295. This includes \$44,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening, as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.

We also sell 2-Pack, 3-Pack and 4-Pack franchises of our Fitness Studio and Personal Training Studio models to qualified franchisees. The total investment necessary to begin operation of the package franchises is as follows:

#### Fitness Studio

- 2-Pack initial investment ranges from \$296,600 - \$674,590, which includes \$90,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.
- 3-Pack initial investment ranges from \$429,900 - \$996,885, which includes \$120,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.
- 4-Pack initial investment ranges from \$553,200 - \$1,309,180, which includes \$140,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.



## Personal Training Studio

- 2-Pack initial investment ranges from \$161,800 - \$434,590, which includes \$80,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.

- 3-Pack initial investment ranges from \$227,700 - \$636,885, which includes \$105,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.

- 4-Pack initial investment ranges from \$283,600 - \$829,180, which includes \$120,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the disclosure document at least 14 calendar days before you sign a binding agreement with or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Elyse McNergney at 24 West Main Street, #211, Clinton, CT 06413 and (212) 997-5550.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. In addition, there may also be laws on franchising in your state. Ask your state agencies about them.

**Issuance Date:** October 31, 2024

For use in New York and California only.



## How to Use This Franchise Disclosure Document

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

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



## What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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



## Special Risks to Consider About *This Franchise*

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Connecticut. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Connecticut than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.



**NOTICE REQUIRED BY  
STATE OF MICHIGAN**

**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that the 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 terms except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six months advance notice of 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 or 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 there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**



THE XERCIZE STUDIO, LLC

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EXHIBITS:

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| Exhibit A | List of State Administrators/Agents for Service of Process |
| Exhibit B | Financial Statements                                       |
| Exhibit C | Franchise Agreement  |



Exhibit D	State Addenda and Agreement Riders
Exhibit E	Franchise Operations Manual Table of Contents
Exhibit F	List of Current and Former Franchisees
Exhibit G	Contracts for use with the IM=X® Pilates Franchise
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APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES REGARDING THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT OR STATE-SPECIFIC AMENDMENTS TO THE FRANCHISE AGREEMENT. THESE ADDITIONAL DISCLOSURES OR STATE-SPECIFIC AMENDMENTS, IF ANY, APPEAR IN THE STATE ADDENDA AT EXHIBIT D.



## ITEM 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “TXS,” “us,” “we” “our” or “Franchisor” means The Xercize Studio, LLC, the franchisor. “You,” “your,” or “franchisee” means the person who buys the franchise. If you are a corporation, partnership or other entity, “you” and “your” include the owners of the franchise.

#### The Franchisor

TXS is a New York limited liability company that was formed on May 21, 2003. Our principal place of business is 24 West Main Street, #211, Clinton, Connecticut 06413. TXS does business under our corporate name, IM=X® (pronounced IMX) and no other name.

Since October 29, 2003, TXS has offered franchises for the operation of Franchised Businesses. TXS has not offered franchises in any other lines of business.

Our agents for service of process are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed in Exhibit A in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

#### Parents, Predecessors and Affiliates

We do not have a parent. We have one affiliate, IM=X Pilates, Inc. (“Affiliate”), which is also our predecessor. IM=X Pilates, Inc. is a Delaware corporation formerly known as The Xercize Corp., incorporated in 1994. IM=X Pilates, Inc. has a principal place of business of 24 West Main Street, #211, Clinton, Connecticut 06413.

Our Affiliate has over 20 years of experience in marketing, selling, managing and consulting other facilities on IM=X® Pilates and operated businesses similar to a Franchised Business from 1998 through 2013. It has not offered franchises in this or any other line of business. It transferred all of its intellectual property, know-how and the System to TXS in 2003. Our Affiliate sells our unique IM=X® Pilates Certification courses, and streaming video content, virtual training, equipment, replacement parts and other miscellaneous products and services.

#### Franchise Program

TXS is engaged in the business of granting franchises (“Franchise(s)”) to operate IM=X® Pilates and Fitness businesses utilizing our Fitness Studio and Personal Training Studio models (“Franchised Business(es)”). Both our Fitness Studio and Personal Training Studio models offer proprietary Pilates, strength, cardiovascular exercise and spine stabilization based semi-private training, personal training, and group classes, back exercise, and instructor/clinician education under the proprietary education, equipment (the “System”) and operate under our IM=X® trademark and related trademarks, service marks, logos and designs (the “Marks”). TXS also provides operating procedures, extensive instructor certification programs and marketing/business training. Fitness Studios and Personal Training Studios are usually located in free standing buildings, shopping centers or other retail locations. Personal Training Studios may be located



within other existing third party locations such as a chiropractic business, physical therapy center, sports medicine clinic, and spa or fitness club.

Fitness Studios offer our IM=X<sup>®</sup> Pilates and Fitness programs including our proprietary IM=X<sup>®</sup> Pilates reformer equipment (“Xercizers”) programs, Tower/Tower Barre, Cycle/Tower, Barre, Bootcamp, Platform, Jog Board, back exercise, personal training and yoga. If you operate a Fitness Studio, we recommend the size of your location to be between 2,000 and 2,600 square feet. Personal Training Studios offer IM=X<sup>®</sup> Pilates services and our proprietary back exercise protocols. Your Personal Training Studio will be approximately 1000-1500 square feet depending on the number of Xercizers and layout. Our Initial Equipment Package (IEP) includes our proprietary equipment designs developed and manufactured through our Affiliate; and includes the essential equipment to operate a Fitness or Personal Training Studio Franchised Business. You will typically lease the IEP through a third party vendor.

TXS will grant you the right to operate one or more Franchised Businesses, as selected by you and agreed to by us, at an address(es) as specified in the Franchise Agreement(s), which is attached to this Disclosure Document.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). If you agree to open and operate multiple Franchised Businesses, you will sign a separate Franchise Agreement for each Franchised Business.

### Market and Competition

You will offer products and services to the general public, but primarily to adults. Our services are not seasonal in nature. Your competitors include other national and local fitness clubs, other Pilates studios, personal training businesses, sports medicine clinics, chiropractic and physical therapy centers. You will offer your services in a developed market which is why the program delivery is of great importance among other details with which we will assist you.

### Industry Specific Laws

Your Franchised Business will be subject to various federal, state and local laws, and regulations affecting the business, including laws relating to zoning, access for the disabled, and safety and fire standards. You may need the local fire marshals or other local, state or federal agency's permission before you begin operations. In addition, there may be local licensing and employment regulations, including worker's compensation insurance requirements. You must comply with the Americans with Disabilities Act which requires accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, etc.

You must also obtain required real estate permits, licenses, and operational licenses.

Many jurisdictions have laws that apply to health club membership contracts which limit the length of the contracts, provide for specific provisions to be included, prescribe the font size for the contract, and provide certain customer rescission and termination rights. Some laws also require you to obtain a bond or escrow membership fees in some cases.

In addition, certain states and local laws require health clubs to have an employee at the fitness facility when it is open, and in some cases this person may need to be certified in basic cardiopulmonary resuscitation or other specialized medical training. Some states also have laws requiring a fitness facility



to have an automated external defibrillator (AED) and other first aid equipment on the premises, and a trained AED user on duty.

If you are operating any of our Franchised Businesses as part of your therapeutic exercise services that must be provided by a licensed medical practitioner (physical therapist, chiropractor, medical doctor) who must comply by all medical billing laws and regulations – you will be responsible for complying with all laws and procedures of the healthcare provider whose license is being used. There may be other local or state laws applicable to your business, so we urge you to make further inquiries.

You alone are responsible for investigating, understanding, and complying with all applicable laws, regulations and requirements applicable to you and your Franchised Business, despite any advice or information that we may give you. You must ensure that you are in compliance with all local, state, provincial and federal business, retail sales, zoning, and other regulations and licensing requirements, and any applicable laws and regulations, and to identify and obtain all authorizations necessary to operate your Franchised Business. You should consult with a legal advisor about whether these and other requirements apply to your Franchised Business. These requirements can affect a broad scope of your operations, including location selection, and hiring of personnel, among other things. We make no representations or assurances as to the specific licenses, permits, authorizations or otherwise that may be required for operating your Franchised Business, which can vary significantly by venue and change over time.

Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

## **ITEM 2 BUSINESS EXPERIENCE**

President: Lauren Humm Fakeete

Ms. Fakeete has served as our President and Master Trainer since November 2010. Ms. Fakeete has been the lead dance teacher for House of the Roses Dance Company in New York, New York since 2013.

Chief Operating Officer: Robert Maynard

Robert Maynard has served as our Chief Operating Officer since May 2018 in Clinton, Connecticut.

Founder and CEO: Elyse McNergney, M.Ed., M.A.

From the inception of TXS in May 2003 to the present, Ms. McNergney has served as the Founder and CEO of TXS in Clinton, Connecticut. From 1994 to the present, Ms. McNergney has served as the Chief Executive Officer of IM=X Pilates, Inc. located in Clinton, Connecticut.

Director of Education and Development: Renee Raiche

Ms. Raiche has served as a Master Trainer for us since 2003 in New York, New York and also provides ongoing educational support to franchisees and their staff. From 2001 to the present, she has also served as an Instructor for IM=X Pilates, Inc. in New York, New York. From June 2019 until the present, Ms. Raiche has also served as a Development Officer.



Franchise Support and Master Trainer: Sara Manganello

Ms. Manganello has served as Operational Support and as a Master Trainer for us since June 2013 in New York, New York. She has also worked as an Instructor for IM=X Pilates, Inc. in New York, New York since January 2013. Ms. Manganello has been an AFAA certified personal trainer since 2011 and teaches clients in New York, New York.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

You must pay us an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement, which is based upon the franchise model and number of franchises that you acquire. The Initial Franchise Fee is \$48,000 to operate a single Fitness Studio and \$44,000 to operate a single Personal Training Studio. The Initial Franchise Fee is payment for all of our certification and pre-opening assistance that we provide to allow you to open your Franchised Business and also offsets some of our franchisee recruitment expenses and is fully earned by us upon payment. The Initial Franchise Fee is not refundable under any circumstances. The Initial Franchise Fee and all other fees due to us must be paid via Electronic Funds Transfer (EFT).

Multi-Pack

If you qualify, we may grant to you the right to acquire and operate multiple Fitness or Personal Training Studio Franchises. You and we will typically agree upon an area in which you will develop your Fitness or Personal Training Studios (the “Multi-Pack”). We recommend that you develop a cluster of studios in a specific region so as to maximize your operational support, staff and marketing. If we grant you the right to open multiples, your Initial Franchise Fee will be charged according to the table below.

Multi-Pack: We offer three different Multi-Pack offers for the Fitness and Personal Training Studio models. The models and associated Initial Franchise Fees are listed below.



<b>Multi-Pack</b>	<b>Number of IM=X<sup>®</sup> Pilates Businesses</b>	<b>Initial Franchise Fee for Fitness Studios</b>	<b>Initial Franchise Fee for Personal Training Studios</b>
“Multi-2” 2-Pack	2	\$90,000	\$80,000
“Multi-3” 3-Pack	3	\$120,000	\$105,000
“Multi-4” 4-Pack	4	\$140,000	\$120,000

You will typically have six months to open your first location and then 12 months to open each successive location. To open additional Franchises under a Multi-2, Multi-3 or Multi-4 Pack, you will be required to sign our Franchise Agreement for each additional location at the same time that you sign the Franchise Agreement for your first Franchise, but you will not be required to pay an additional Initial Franchise Fee (all other fees will apply).

Extension Fee

If you do not open your Franchised Business within 180 days after signing the Franchise Agreement, you must pay us \$695 for each 30-day extension until your Franchised Business is open. We will debit your bank account via EFT for each extension until your Franchised Business is open. As indicated in Item 7, the low estimate of this fee, 0.00, represents no extensions, and the high estimate of this fee, \$695, represents a one month extension. This fee applies for all of the system offerings, single, 2, 3, and 4 pack. This fee is uniformly imposed, shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

Note that the Initial Equipment Package is Leased from a Third Party Lessor

Our standard franchise offering assumes and expects that you will lease the Initial Equipment Package (IEP) from our affiliate or approved supplier in which case you will pay the lessor directly for the right to lease and possess the IEP (as described more fully in Item 7 of this Disclosure Document). The typical deposit and first three months’ lease payment that you will make to a lessor for the IEP will range from \$6,500 to \$8,500, for a single Fitness Studio and \$3,500 to \$5,500 for a single Personal Training Studio, which includes shipping costs as well.

Should you prefer to purchase the IEP outright instead of leasing, we require that you purchase it from our Affiliate with the cost being \$90,000 for a single Fitness Studio and \$50,000 for a single Personal Training Studio, not including shipping, which is approximately \$5,500 for a single Fitness Studio and \$3,000 for a single Personal Training Studio, also payable to our Affiliate. Payment of the IEP is due at the time of signing the Franchise Agreement and is non-refundable.

Rather than purchase this package outright, our standard offering assumes that you will choose to lease the IEP to increase cash flow or reduce capital outlay during early operations.

If you are purchasing multiple locations, then the IEP on your additional locations should be leased or purchased approximately 90 days prior to opening each additional location.



Based on your layout, Franchisor may require additional equipment. Such equipment can be purchased separately.

General. We do not offer financing for any portion of the initial fees or payments in this Item 5. Each of these initial fees and payments must be paid in full when you sign the applicable Franchise Agreement. We fully earn the Initial Franchise Fee and other payments when paid. They are not refundable under any circumstances.

Except as described in this Item 5, all franchisees currently pay the same applicable initial fees.

## ITEM 6 OTHER FEES

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Monthly Royalty Fee <sup>(2)</sup>	6% of Gross Sales or \$895 per month, whichever is greater for your first year thereafter 6% of Gross Sales or \$1295 per month whichever is greater, as calculated from the Mind Body Online (“MBO”) software report and your monthly bank statement for the corresponding time frame.	By the fifth day of each month	The “ <u>Monthly Royalty Fee</u> ” is based on “Gross Sales” during the previous month. Your Monthly Royalty Fee is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance. This fee begins on the first calendar month after your Franchised Business begins selling services.
Staff Certification and Training <sup>(3)</sup>	We do not charge you/your staff course fees; but we do charge Practical Exam fees which are currently \$450 per certification courses with the exception of one-day courses for which the fee is \$225 per exam (fees subject to change). If you or your staff are absent for an hour or more of any course, then a make-up session will be required at \$150 per hour. If a course retake is required, the fee is \$150 per day (subject to change). You/your staff have three months from course completion to pass the Practical Exam. If you/your staff require additional time to pass the Practical Exam, we will charge \$150 for a three month extension.	All Practical Exam and other training fees are due as incurred	Prior to opening you and your staff must pass the Practical Exam of the Basic Floor and Xercizer and Wall Tower Certifications. You and your studio manager (if applicable) must complete Business Training. Your staff will be required to complete our Advanced course work and corresponding Practical Exams.  If your staff fails a Practical Exam of any course, he/she will be required to re-take the Practical Exam at the same rate. Your staff may be required to retake a certification course or schedule a review session and will be responsible for any fees associated with such retakes and reviews.
Additional On-Site Training by a Master Trainer <sup>(4)</sup>	\$1200 per day plus travel and lodging expenses.	Payable upon booking the Master Trainer	If you require or request that we provide a Master Trainer to give additional training on-site at your unit. All travel and lodging expenses must be prepaid at the time of booking.
Additional Staff and Business Training	Our cost in providing additional business, marketing or virtual staff training is \$150 per hour.	As incurred	We reserve the right to charge a fee for additional business, marketing or staff training assistance if we deem it necessary.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Manager Training	New Manager Business Training is \$4,000. The retake or make-up fee for any missed sessions of Business Training is \$300 per session.	As incurred	You may send your instructors to any of our certification courses each year of the Franchise Agreement so long as they have fulfilled the prerequisites for the certification course including paying for their Course Materials and Practical Exam.  Payable if the new manager cannot join an already-scheduled Business Training or if he/she misses a Business Training session.
Course Materials	Our then-current fees for Course Materials. Currently, \$70-140 per participant and per certification.	As incurred	As you certify new staff or advance the training of existing staff, you will need to purchase Course Materials (manual and on-demand bundle as applicable) through our online store. See Franchise Agreement, Section 7.5.
Monthly Brand Fund Contribution <sup>(5)</sup>	Our then-current fee charged by us. Currently, \$175 per month.	Monthly	Beginning in the fourth month after signing the Franchise Agreement, we will charge this contribution which is used for a system-wide “ <u>Brand Fund</u> ”
Monthly Technology Fee <sup>(6)</sup>	Our then-current fee charged by us. Currently, \$325 per month.	Monthly	Beginning in the fourth month after signing the Franchise Agreement, we will charge you a Technology Fee to help cover the costs and expenses associated with, using and integrating the technology and software we provide as part of the System.
Supplier and Product Evaluation Fee	\$250 per evaluation	As incurred	We reserve the right to charge this fee if we inspect a new product, service, or proposed supplier nominated by you.
Rescheduling Fee	\$300 per occurrence	As incurred	If you fail to attend a previously-scheduled Business Training session and reschedule that training.
Late Fee	\$50/month on any unpaid monies owed to us	15 days after when monies are owed	If you are more than 15 days past due in paying royalties, advertising fees, or other monies to us, we impose a late fee.
Interest	The lesser of 2% per month on any unpaid balance, or the maximum amount allowed by law.	Each month when monies are owed	Payable on all overdue balances. Interest accrues from the original due date until payment is received in full.
Noncompliance Fee	Then-current fee charged by us. Currently, \$150/day of noncompliance.	As incurred	Payable only in the event you fail to comply with your obligations under the Franchise Agreement.
Spring Replacements	Then-current price for one set of five springs. Currently, \$325 per spring set per Xercizer plus shipping	Every 36 months	We will automatically charge your account via EFT for replacement springs plus shipping every 36 months to ensure safety as springs wear with usage. It is your responsibility to place the new springs on your Xercizers. Prices are subject to change.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Renewal Fee	\$10,000	Before renewal	We charge this fee to renew the Franchise Agreement.
Transfer Fee	\$12,000	Before the transfer	You or your buyer must pay this fee to us when your franchise is sold. There is no fee if the transfer is to an entity owned solely by you.
Transferee Training Fee	\$4,000	At the time of transfer	Any approved transferee must attend our Business Training and pay a transferee training fee before assuming your franchise.
Intellectual Property Damage	\$5,000	As incurred	If you in any way compromise the secure access to our online training movies and password areas, including, but not limited to, allowing unauthorized users access to our confidential training materials, you will be required to pay us liquidated damages in the amount of \$5,000, to compensate us for the breach and related damage to our proprietary System. This is in addition to injunctive relief we may obtain to prevent or halt these practices.
Liquidated Damages	Will vary with circumstances. Calculated by multiplying the average Monthly Royalty Fee for your franchise by the number of months that remained in the initial term of the Franchise Agreement when terminated.	If incurred, 15 days after termination	If we terminate the Franchise Agreement with cause, you must pay us liquidated damages equal to the average Monthly Royalty Fee payable by your franchise multiplied by the remaining number of months in your Franchise Agreement plus legal fees we incur in enforcing this provision. We may recover these monies by EFT from your bank account 15 days after termination. See Franchise Agreement, Section 10.4.4.
Indemnification	Will vary under the circumstances	As incurred	You must reimburse us if we are sued for claims arising from your Franchised Business operations.
Costs and Attorney Fees	Will vary with circumstances	As incurred	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail. See Franchise Agreement, Sections 17.11 and 22.1.
Inspection and Testing Costs	The cost ranges from \$200 to \$600 per visit	When billed	We may require you to pay us for the cost of inspection or for testing at your Franchised Business including without limitation secret shopper quality assurance. See Franchise Agreement, Section 6.7.
Audit Expenses	Costs incurred by us in connection with conducting audit. Currently, we estimate that such costs will typically be between \$500 - \$3,500	When billed	Audit costs payable only if the audit is required due to your failure to provide required statements and reports, or if the audit shows an understatement in amounts due of at least 2%



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Marketing and Other Advertising	At least \$1,500 per month	Until member quota has been met and sustained	You must spend at least \$1,500 per month towards marketing and advertising until your Franchised Business has reached and maintained our designated membership quotas.

Notes:

1. All fees paid to us or our Affiliate are uniformly imposed and collected and are not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our Affiliate via electronic funds transfer (“EFT”). You are required to complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit G-4).
2. Monthly Royalty Fee Monthly Royalty Fee is due monthly and will begin on the first calendar month after you begin selling services to clients (regardless of the day you open). You must record all of your membership services and sessions including, home, virtual, workshops, private, duet training, semi-private and group training, retail sales, and any other income or deposits to your account (rental income, products, subleases, practical exam fees, etc.). The Monthly Royalty Fee is calculated on your Gross Sales. You will send us monthly MBO reports and monthly bank statements via e-mail each month to permit us to calculate your Monthly Royalty Fee for the prior month.. “**Gross Sales**” means all revenue of any kind generated from the sale of all services and products and includes all income of any kind whether for cash or credit, as well as business interruption insurance proceeds related to the Franchised Business, including specifically, but without limitation, all revenue from membership services and sessions including, home, virtual, workshops, private, duet training, semi-private and group training, retail sales, Practical Exams, and any other income or deposits made to your account, including but not limited to rental income, sublease income, retail products, and other training material for staff, etc., regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your Franchised Business or online, and also including all ancillary income from additional services provided by healthcare practitioners and other licensed individuals. Gross Sales also includes the value of services that you offer as a barter or comp or in-kind, unless the service is an Introductory Session or Free Week trial, which services are limited to one per person and for new customers only. Gross sales includes all revenue from the prior month. Please note that the following are excluded from Gross Sales: (a) any sales tax and excise tax or equivalent taxes that you collect for or on behalf of any governmental taxing authority and paid to it provided same are clearly and separately shown; the value of any allowance issued or granted to any client of the Franchised Business that you credit in good faith in full or partial satisfaction of the price of approved produces and/or services. Please note that we do not provide monthly invoices for Monthly Royalty Fees as it is your responsibility to provide these reports. Failure to accurately record and report your revenue shall be considered a material breach and default of this Agreement. All sales must be recorded in monthly MBO reports, regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your Franchised Business, online, or elsewhere and also including all ancillary income from additional services and other licensed individuals. If you purchase or are a transferee of a Franchised Business that is already in operation, you will begin paying the Monthly Royalty Fee immediately.



3. Course and Practical Exam Requirements. We charge a Practical Exam fee per course to qualify your staff as being ready to teach the IM=X® private and semi-private programs. Practical Exam fees are due at the time of course registration which is no later than two weeks prior to the course start date, and are collected via EFT debit from the franchise studio account. Practical Exam Fees are currently a flat rate of \$450 for all courses with the exception of one-day courses (IM=X® Barre, Cycle/Tower and Platform courses). Fees are subject to change.

If your staff fails the Practical Exam of any course, your staff person may be required to do additional study and then re-take the Practical Exam at the same rate (see the training chart in Item 11 for the Practical Exam hours). If your staff fails the Practical Exam a second time, your staff person may be required to retake the course at the retake rate (currently \$150/day and subject to change). We also reserve the right to determine the prerequisites of each certification.

You or at least one of your staff/instructors must pass the Practical Exams of the IM=X® Basic Floor and Xercizer and Tower/Tower Barre prior to your opening date. You or at least one of your staff/instructors must attend and pass the Practical Exam for the IM=X® Advanced Xercizer, Super Advanced Xercizer, Platform and Barre Certifications within three years of your opening and prior to teaching any such classes, whichever is sooner. Review courses may be conducted online or virtually. You must review the certification calendar and register ahead of time. We strongly recommend that you plan ahead for the absence of your staff during certification dates and that you build ongoing training time into your business plan primarily for the first three years of your business, but also ongoing as annual training/reviews are required to uphold the standards of the System.

Practical Exam fees are nonrefundable and nontransferable. Practical Exam fees are valid for a total of three (3) months from the conclusion of the certification course for which they are paid. If you or your staff person fail to complete any Practical Exam within this timeframe, an extension fee of \$150 will be charged in order to grant an additional three (3) months for Practical Exam completion. Upon the expiration of the three-month extension, if a Practical Exam has not yet been scheduled, all fees are considered forfeited, and the participant must retake the certification course and incur all applicable costs.

4. Additional On-Site Training by a Master Trainer. We offer our certification training courses, at no additional fee to you, except for the course materials and the Practical Exam fee. Our Master Trainer may conduct certification courses either in person at a Franchised Business location or virtually. You/your staff are eligible to register for any course on the calendar. You may request specific dates for certification training per year for the first three years of your Franchise Business. We require no less than six (6) weeks' notice to book a course.

If you request a Master Trainer to conduct on-site training at your franchise, then you must pay a day rate of \$1200 plus the Master Trainer's travel and lodging expenses. All travel and lodging payments must be reimbursed to us at the time of booking and no later than one week prior to the Master Trainer's on-site visit via your EFT debit on file. You must allow staff from other Franchised Business locations to attend certification courses that you may request or schedule, just as your staff may attend courses held by other Franchised Businesses.

5. Brand Fund Contribution. You must pay us via EFT our then-current Brand Fund Contribution (currently \$175/month) during the term of the Franchise Agreement, beginning in the fourth month after signing the Franchise Agreement.



6. Technology Fee. You must pay us via EFT our then-current Technology Fee (currently \$325/month) during the term of the Franchise Agreement, beginning in the fourth month after signing the Franchise Agreement.

**ITEM 7  
YOUR ESTIMATED INITIAL INVESTMENT**

**FITNESS STUDIO\***

Type of expenditure	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$48,000	\$48,000	EFT (Electronic Funds Transfer)	At the time of signing of the Franchise Agreement	Us
Initial Equipment Package Lease and Shipping <sup>(2)</sup>	\$6,500	\$8,500	EFT	At least 45 days before opening.	Us
Certification Travel Expenses <sup>(3)</sup>	\$0	\$5,000	EFT	As incurred	Transportation Carriers, Hotel Facilities, Etc.
Real Estate For 3 Months <sup>(4)</sup>	\$7,000	\$26,000	As required	As incurred	Landlords
Real Estate Improvements And Additions <sup>(5)</sup>	\$55,000	\$190,000	As required	Before opening your Franchised Business	Contractors
Signage <sup>(6)</sup>	\$10,000	\$20,000	As required	Before opening	Approved Supplier
Miscellaneous Opening Costs <sup>(7)</sup>	\$1,000	\$3,500	As required	Before opening	Independent Vendors
Marketing and Other Advertising <sup>(8)</sup>	\$10,000	\$15,000	As required	At least one month prior to opening	Mandatory Vendors
Insurance <sup>(9)</sup>	\$400	\$2,000	As required	Before opening	Approved Supplier
Professional Fees <sup>(10)</sup>	\$3,000	\$6,000	As Agreed	Before Opening	Your Attorneys, CPAs, and Other Professionals



Type of expenditure	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Monthly Software Fee (3 Months) <sup>(11)</sup>	\$400	\$600	As required	Before Business Training	Third party software provider, currently Mind Body Online Software (MBO)
Extension Fee <sup>(12)</sup>	\$0	\$695	EFT	Before first day of extension	Us
Additional Funds –3 Months <sup>(13)</sup>	\$10,000	\$15,000	As required.	At time of expense	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT <sup>(14)</sup>	\$151,300	\$340,295			

\* We do not offer direct or indirect financing for any amount due under the Franchise Agreement. We do not guarantee your note, lease or any other obligation.

The total investment necessary to begin operation of the Fitness Studio package franchises is as follows:

- 2-Pack initial investment ranges from \$296,600 - \$674,590, which includes \$90,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.
- 3-Pack initial investment ranges from \$429,900 - \$996,885, which includes \$120,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.
- 4-Pack initial investment ranges from \$553,200 - \$1,309,180, which includes \$140,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$6,500 to \$8,000, not including shipping costs of approximately \$5,500.

Notes:

None of the fees paid to us in the above tables are refundable. Whether any fees paid to a third party are refundable depend upon the third party’s policies. All fees required to be paid via Electronic Funds Transfer (EFT) shall be debited by us from a United States financial institution.

The initial investment table shows certain expenditures required to establish and operate a single Fitness Studio. Note that these amounts may vary, and the amounts you have to spend or invest may be higher or



lower than the estimated amounts, depending on location, size of the Fitness Studio, equipment leasing terms, marketing conditions and other factors.

Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Fitness Studio Franchises. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Fitness Studio franchise may be greater or less than the estimates given, depending upon the location of your Fitness Studio, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations.

1. Initial Franchise Fee. The Initial Franchise Fee for a single Fitness Studio is \$48,000 and is due at the time of signing. We do not provide financing for the Initial Franchise Fee which is non-refundable. If you purchase a 2- 3- or 4- Pack Franchise, the only additional initial cost that you will incur over the purchase of a single Franchise will be the increase in Initial Franchise Fee until you open the additional Fitness Studio Businesses. Once you open additional Fitness Studio Businesses, you will incur the costs listed in this Item 7 (except for the Initial Franchise Fee). These costs may increase in the future depending on when you open the additional Fitness Studio Businesses.

2. Initial Equipment Package (IEP). The IEP for a single Fitness Studio Model includes 15 Xercizers, 15 Platforms, 10 Wall Towers with Ballet Bar, 20 Stabilization Rings, 10 weighted Body Bars and 4 sets of educational manuals. Our standard franchise offering assumes and expects that you will lease the IEP to open and initially commence operations. As such, the range above of \$6,500 to \$8,500 is designated to capture and account for a typical deposit and the first three month's lease payments you will make to a lessor. Shipping costs are typically included in these lease payments. If you decide to purchase the IEP, you should expect to pay \$90,000 for a single Fitness Studio plus shipping costs of approximately \$5,500.

3. Certification Travel Expenses. The actual costs for you and your staff attending certifications will vary, depending on whether it is a virtual course or on-site course. If you are traveling to a course or having a Master Trainer on-site then your costs will also vary based on airfare and accommodation rates. You should book at least six weeks ahead for an on-site Master Trainer visit

4. Real Estate for 3 Months. If you do not own a building space, you must lease or purchase the business premises for the Franchised Business. The estimates assume you start with a "vanilla shell" in a location generally suitable for the Franchised Business. Lease costs will vary based upon the square footage leased, the cost per square foot, the required maintenance costs, geographical location, and other factors. If you choose to purchase real estate for your Franchised Business, we cannot estimate how this may increase your initial investment. Our real estate vendor may assist in choosing a location but it is your responsibility to secure your location. If you operate a Fitness Studio, we require the size of your business to be approximately 2,000-2,600 square feet. The prices shown in the chart assumes you will lease and includes a security deposit equal to one month's rent plus the first three month's rent.

5. Real Estate Improvements and Additions. These costs are for the build-out of your studio with flooring, mirrors, lighting, paint, curtains, a sign-in desk and other miscellaneous furniture, fixtures and decor for your Franchised Business. The estimates assume you start with a "vanilla shell" in a location generally suitable for the Franchised Business. Wall Tower with Ballet Bar installation is required to be part of your initial build-out. Building and construction costs will vary depending upon the condition and size of the premises for your Franchised Business and local construction costs. If you lease your location, your landlord may complete the buildout of the premises and include these costs in your monthly lease payments.



6. Signage. The cost of signage will vary based on the amount and type of signage allowable for your location; for example, channel letters are more expensive than awnings.

7. Miscellaneous Opening Costs. Includes security deposits, utility costs and entity formation fees. Additionally, you will need a wall mounted television screen, surveillance camera for each workout room, computer, printer, and other materials and supplies for the operation of your Franchise.

8. Marketing and Other Advertising. You must follow our marketing plan including offering no less than six free introductory classes and privates weekly in our designated software and follow our digital marketing program until you have no less than 200 members plus 30 Elite and/or Private Training members. You must also follow our pre-opening and grand-opening marketing and sales program. You must spend at least \$1,500 per month towards marketing and advertising until your Franchised Business has reached and maintained our designated membership quotas. You must follow our social media program, print library, advertising library, and other marketing instructions. We require that you work with our centralized preferred vendors if we designate them. Distribution of our proprietary marketing content is not permitted to any marketing agency outside of our centralized preferred vendors.

9. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Franchised Business, your rates may be significantly higher than those estimated above.

10. Professional Fees. We recommend that you hire a lawyer, accountant, or other professional to advise you on this Franchise offering. Rates for professionals vary significantly based on area and experience.

11. Monthly Software Fee. You must use the software that we provide for scheduling, billing and online sales. Our preferred “Designated Software” vendor is currently Mind Body Online (MBO). We reserve the right to change our Designated Software vendor. You must pay a monthly fee to our Designated Software vendor for web scheduling, client data management, staff scheduling and client billing, which we may update and upgrade in the future. Optionally, you may elect to pay an additional monthly fee for use of a branded mobile app or other additional features.

12. Extension Fee. If you do not open your Franchised Business within 180 days after signing the Franchise Agreement, you must pay us \$695 for each 30-day extension until your Franchised Business is open. The low estimate represents no extensions, and the high represents a one-month extension.

13. Additional Funds. These amounts represent our estimate of the amount needed to cover your business expenses for the initial three-month start-up phase of your Studio. They include payroll, management compensation (but not any draw or salary for you), administrative, utilities, and other items. These figures do not include standard pre-opening expenses, royalties, or advertising fees payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Fitness Studio opens for business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Fitness Studio. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Fitness Studio Franchises. You must bear any deviation or escalation in costs from the estimates that we have given. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; the sales level reached during the start-up period; and the size of your Fitness Studio. Additional funds for the operation of your Fitness Studio will be required after



the first three months of operation if sales produced by the Fitness Studio are not sufficient to produce positive cash flow.

14. Figures May Vary. This is an estimate of your initial start-up expenses for one Fitness Studio. You should review these figures carefully with a business advisor before making any decision to purchase the Fitness Studio. In compiling these figures, we have relied on the more than 25 years of cumulative experience in the fitness industry of our management personnel. Except as stated in this Item 7, we do not provide an estimate of operating costs for your Franchised Business over any period. We cannot guarantee that the amounts specified will be adequate and you may need additional funds to open and operate. In addition, the estimates presented relate only to costs associated with the Franchised Business and do not cover any personal, "living," unrelated business or other expenses you may have.



## YOUR ESTIMATED INITIAL INVESTMENT

### PERSONAL TRAINING STUDIO\*

Type of expenditure	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$44,000	\$44,000	EFT (Electronic Funds Transfer)	At the time of signing of the Franchise Agreement	Us
Initial Equipment Package plus Shipping <sup>(2)</sup>	\$3,500	\$5,500	EFT	At least 45 days before opening.	Us
Certification Travel Expenses <sup>(3)</sup>	\$0	\$5,000	EFT	As incurred [same as other chart]	Transportation Carriers, Hotel Facilities, Etc.
Real Estate For 3 Months <sup>(4)</sup>	\$0	\$18,000	As required.	No less than 30 days before opening your franchise	Landlords
Real Estate Improvements And Additions <sup>(5)</sup>	\$10,000	\$90,000	As required.	Before opening your Franchised Business	Contractors
Signage <sup>(6)</sup>	\$10,000	\$20,000	As required.	Before opening your Franchised Business	Approved Supplier
Miscellaneous Opening Costs <sup>(7)</sup>	\$1,000	\$3,500	As required.	Before opening your Franchised Business	Independent Vendors
Marketing and Other Advertising Costs <sup>(8)</sup>	\$8,000	\$12,000	As required.	At least one month prior to opening your Franchised Business	Independent Vendors
Insurance <sup>(9)</sup>	\$0	\$2,000	As required.	Before opening your Franchised Business	Approved Supplier
Professional Fees <sup>(10)</sup>	\$3,000	\$5,000	As Agreed	Before Opening	Your Attorneys, CPA's, and Other Professionals



Type of expenditure	Amount		Method of Payment	When Due	To whom payment is to be made
	Low	High			
Monthly Software Fee (3 Months) <sup>(11)</sup>	\$400	\$600	As required.	Before your attendance to our Business Training	Third-party software provider, currently Mind Body Online Software (MBO)
Extension Fee <sup>(12)</sup>	\$0	\$695	EFT	Before first day of extension	Us
Additional Funds –3 Months <sup>(13)</sup>	\$5,000	\$15,000	As required.	At time of expense	Third parties
TOTAL ESTIMATED INITIAL INVESTMENT <sup>(14)</sup>	\$84,900	\$221,295			

\* We do not offer direct or indirect financing for any amount due under the Franchise Agreement. We do not guarantee your note, lease or any other obligation.

The total investment necessary to begin operation of the Personal Training Studio package franchises is as follows:

- 2-Pack initial investment ranges from \$161,800 - \$434,590, which includes \$80,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.
- 3-Pack initial investment ranges from \$227,700 - \$636,885, which includes \$105,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.
- 4-Pack initial investment ranges from \$283,600 - \$829,180, which includes \$120,000 in fees that must be paid to the franchisor or its affiliate(s) prior to opening as well as the cost to lease the Initial Equipment Package, which ranges from approximately \$3,500 to \$5,500, not including shipping costs of approximately \$3,000.

Notes:

None of the fees paid to us in the above tables are refundable. Whether any fees paid to third parties are refundable would depend upon their policies. All fees required to be paid via Electronic Funds Transfer (EFT) shall be debited by us from a United States financial institution.



The initial investment table shows certain expenditures required to establish and operate a single Personal Training Studio. Note that these amounts may vary, and the amounts you have to spend or invest may be higher or lower than the estimated amounts, depending on location, size of the Personal Training Studio, marketing conditions and other factors.

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Personal Training Studio. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Personal Training Studio franchises. The factors underlying our estimates may vary depending on several variables, and the actual investment you make in developing and opening your Personal Training Studio franchise may be greater or less than the estimates given, depending upon the location of your Personal Training Studio, and current relevant market conditions. Your costs will also depend on factors such as how well you follow our methods and procedures; your management skills; your business experience and capabilities; local economic conditions; the local market for our products and services; the prevailing wage rates; competition; and sales levels reached during your initial phase of business operations. All expenditures paid to us or our affiliates are non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for utility deposits and other payments.

1. Initial Franchise Fee. The Initial Franchise Fee is \$44,000 for the grant of a Personal Training Studio and is due at the time of signing. We do not provide financing for the Initial Franchise Fee which is non-refundable. See Item 5 for additional discounts for multiple purchases.
2. Initial Equipment Package. The IEP for Personal Training Studios includes 8 Xercizers, 8 Wall Towers with Ballet Bar and 8 Platforms plus 10 stabilization rings, 10 body bars and 4 sets of educational manuals. Our standard franchise offering assumes and expects that you will lease the IEP to open and initially commence operations. As such, the range above of \$3,500 to \$5,500 is designated to capture and account for a typical deposit and the first three month's lease payments you will make to a lessor. Shipping costs are typically included in the lease payments. If you decide to purchase the IEP, you should expect to pay \$50,000 for the equipment and incur shipping costs of approximately \$3,000 also payable to our Affiliate.
3. Certification Travel Expenses. The actual costs for you and your staff attending onsite certifications will vary, depending on the distance to be traveled, your method of travel, and your choice of hotel. Personal Training Studio owners and staff may travel to the nearest certification center to attend training or may participate in a virtual certification course.
4. Real Estate for 3 Months. If you do not own a building space, you must lease or purchase the business premises for the Franchised Business. You are responsible for choosing your location but our real estate vendor may assist in choosing a location. Real estate and rent costs vary based upon the size of the location, required security deposit, the location of the leased premises, the amount of free rent negotiated for your start-up period, and other factors. We require that the size of your Personal Training Studio be approximately 1000-1500 square feet. The prices shown in the chart assumes you will lease and includes a security deposit equal to one month's rent plus the first three month's rent. A Personal Training Studio may be placed in existing medical, wellness or fitness centers in which case there may be very little additional rent or renovation required. If you purchase instead of lease the premises for your Franchised Business, then the purchase price, down payment, interest rates, and other financing terms will determine your monthly mortgage payments.
5. Real Estate Improvements and Additions. These costs are for the build-out of your studio with flooring, mirrors, lighting, paint, a sign-in desk and other miscellaneous furniture, fixtures and



décor for your Franchised Business. The estimates assume you start with a “vanilla shell” in a location generally suitable for the Franchised Business. Wall Tower installation is required to be part of your initial build-out. Building and construction costs will vary depending upon the condition and size of the premises for your Franchised Business and local construction costs. If you lease your location, your landlord may complete the buildout of the premises and include these costs in your monthly lease payments.

6. Signage. The cost of signage will vary based on the amount and type of signage allowable for your location; for example, channel letters are more expensive than awnings.
7. Miscellaneous Opening Costs. Includes security deposits, utility costs, and entity formation fees. Additionally, you will need a wall mounted television screen, surveillance camera for each workout room, computer, printer, and other materials and supplies for the operation of your Franchise.
8. Marketing and Other Advertising. You must follow our “Marketing Workbook” and marketing calendar, our pre-opening and grand-opening marketing, sales training, social media program, print and ad library and other marketing instructions for the first year of your operations or until you have no less than 100 members plus 30 Elite and/or Private Training members. We require that you work with our centralized preferred vendors if we designate them. Distribution of our proprietary marketing content is not permitted to any marketing agency outside of our centralized preferred vendors.
9. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Franchised Business, your rates may be significantly higher than those estimated above.
10. Professional Fees. We strongly recommend that you hire a lawyer, accountant, or other professional to advise you on this Franchise offering. Rates for professionals can vary significantly based on area and experience.
11. Monthly Software Fee. You must use our “Designated Software” vendor currently Mindbody Online or MBO that we provide for scheduling and billing plus online sales. You must pay a monthly fee to our software support vendor for web scheduling client data management, staff scheduling, and client billing, which we may update or change in the future. You may elect to pay an additional monthly fee for use of a branded mobile app and other additional features.
12. Extension Fee. If you do not open your Franchised Business within 180 days after signing the Franchise Agreement, you must pay us \$695 for each 30-day extension until your Franchised Business is open. The low estimate represents no extensions, and the high represents a one-month extension.
13. Additional Funds. These amounts represent our estimate of the amount needed to cover your business expenses for the initial three-month start-up phase of your Personal Training Studio. They include payroll, management compensation (but not any draw or salary for you), administrative, utilities, and other items. These figures do not include standard pre-opening expenses, royalties, or advertising fees payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Personal Training Studio opens for business. These figures are estimates, and we cannot guarantee that you will not



have additional expenses starting your Personal Training Studio. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Fitness Studio Franchises. You must bear any deviation or escalation in costs from the estimates that we have given. Your costs will depend on factors such as: how well you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; the sales level reached during the start-up period; and the size of your Personal Training Studio. Additional funds for the operation of your Personal Training Studio will be required after the first three months of operation if sales produced by the Personal Training Studio are not sufficient to produce positive cash flow.

14. Figures May Vary. This is an estimate of your initial start-up expenses for one Personal Training Studio. You should review these figures carefully with a business advisor before making any decision to purchase the Personal Training Studio. In compiling these figures, we have relied on the more than 25 years of cumulative experience in the fitness industry of our management personnel. Except as stated in this Item 7, we do not provide an estimate of operating costs for your Franchised Business over any period. We cannot guarantee that the amounts specified will be adequate and you may need additional funds to open and operate. In addition, the estimates presented relate only to costs associated with the Franchised Business and do not cover any personal, "living," unrelated business or other expenses you may have.

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

### Standards and Specifications

You must operate your Franchised Business according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, signage, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Franchised Business under our specifications, which may include purchasing these items from: (i) our designees, (ii) approved suppliers; or (iii) us or our affiliates. You must not deviate from these methods, standards, and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential Franchise Operations, Marketing and Course Manuals state our standards, specifications, and guidelines for all products and services we require you to obtain in establishing and operating your Franchised Business and approved vendors for these products and services. We will notify you of new or modified standards, specifications, and guidelines periodically.

With our approval, you may add related services to your Franchised Business, such as massage by a licensed massage therapist, but you are not obligated to do so. We also recommend relationships with other healthcare practitioners such as chiropractors, physical therapists, nutritionists, and yoga practitioners and may help facilitate such relationships to add to your core services. All such ancillary income with the exception of insurance billing must be recorded in our billing software and will be subject to the Monthly Royalty Fee.

### The Goods or Services Required to be Purchased or Leased

#### *Advertising Material*



You must either use material that we provide or designate, or you must obtain our approval before use. We require that you use our centralized preferred vendor for digital marketing, print, direct mail, and other advertising, if we designate one.

#### *Computer System and Software*

You must use the computer hardware and software, including the point-of-sale (“POS”) system that we periodically designate to operate your Franchised Business. You must obtain the computer hardware, software licenses, maintenance and support services, and other related services that meet our specifications from the suppliers we specify (which may be limited to us and/or our affiliates).

#### *Course Programs*

If you own a Fitness Studio, then you must implement the IM=X<sup>®</sup> Pilates personal training and group exercise programs, including the formats which are taught in our proprietary courses using our Xercizers (patented reformers) and Towers. You must use the IM=X<sup>®</sup> Pilates branded programs and class names and may not refer to them as “Pilates,” “Spin,” “Barre,” “Yoga” or other non-brand names or brand names of third parties. To do so is undermining the distinct program asset that is proprietary to you, and furthermore it causes confusion in the marketplace and may devalue your investment.

#### *Fitness Equipment*

You must acquire our Initial Equipment Package for the type of studio you will operate. We assume that you will lease your Initial Equipment Package. We may require that you add or remove equipment in your Franchised Business to stay current and conform to our System. You can only purchase products and/or supplies with our trademark or logo on them unless these products/supplies are from a third party vendor that we have approved. We reserve the right to approve other product suppliers.

#### *Furniture and Equipment*

You will need to design your Franchised Business with hardwood flooring, mirrors, non-fluorescent lighting, curtains or sliding door, indoor/outdoor signage and use an approved paint color. You will need a sign-in desk as well as other miscellaneous furniture for your Franchise. You will also need to have a television with internet access, and a surveillance camera installed in each of your workout rooms. The cameras must be web accessible by us. You will use the cameras to monitor teacher performance, quality assurance and safety. We have the right to also review and monitor the cameras for the same purposes as you, and to ensure compliance with the System and Franchise Agreement. You must obtain the consent of your customers for use of the cameras and are responsible for any failure to obtain such consent. You will indemnify us for any breaches of privacy from your use of any surveillance cameras.

Each of these items will need to be approved by us to ensure uniformity and quality of environment.

#### *Insurance*

You will need to purchase and maintain in effect at all times during the term of the Franchise Agreement a policy or policies of insurance, naming us and our Affiliate as additional insureds with public liability in no less than the following amounts: bodily injury - \$1,000,000 each person; \$1,000,000 each accident; and property damage \$1,000,000 each accident. You must also purchase business interruption insurance with coverage for at least twelve (12) months for actual losses. You must use our mandatory insurance vendor, Sports and Fitness Insurance, for your insurance. You must also purchase physical



therapist and instructor liability insurance as well as workers' compensation insurance as required by state law. If you are a physical therapy, chiropractic or other medical center, then you must have the required insurance for your business. Either way, you must list us and our Affiliate as additionally insureds, and a copy of the policy must be sent to us.

### *Manuals and Online Portals*

You must purchase manuals through our password-protected print shop. Photocopying or otherwise replicating or distributing manuals or other proprietary training material to any individual, as well as sharing the passwords to our online Franchisee Portal, Instructor Portal, manual print shop or any other means of accessing our proprietary material is prohibited.

### *Signage*

You are required to purchase the appropriate signs to promote your Franchised Business. A selection will be presented to you by our mandatory sign vendor. You must purchase the signs for your Franchise that have been approved by us.

### *Site Selection*

We work with a real estate group that may assist in finding a location. We recommend that you utilize this service. There is no fee for you using the assistance of locating a lease with our vendor. We must approve your lease including the monthly payment obligation and location before you can open your Franchise.

### Purchases from Approved Suppliers

We will provide you with a list of our designated and approved suppliers. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for products and services that require supplier approval), you must notify us and submit to us the information, specifications, and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service, or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Franchised Businesses to ensure timely deliveries of the products or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products, and we reserve the right to revoke our approval of any supplier, product, or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product, or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We expect that you will lease the Initial Equipment Package for your studio. You will also purchase signage, materials, and supplies from approved suppliers in establishing and operating your Franchised Business. We and our affiliate may derive revenue from these sales and may sell these items at prices exceeding our or their costs.

Our affiliate is the only approved supplier of the Xercizer, Platform, Ring, and Tower equipment. You must also replace wearable parts on your Xercizers and Towers as needed or as we recommend. We



may add or change exercise equipment manufacturers at any time in our sole discretion, which may increase your costs to repair or replace your equipment.

Our Affiliate sells our unique IM=X<sup>®</sup> certification courses, online streaming video content and virtual training sessions, rings, and patented equipment and replacement parts to consumers, and is the only approved supplier for these items. Our Affiliate reserves the right to market these items and others to the consumer direct.

Our founder, Elyse McNergney, owns an equity interest in our Affiliate, IM=X Pilates Inc., which is our approved equipment supplier. Otherwise, no officer of ours owns any interest in any of our approved suppliers.

Depending on the model, we estimate that your required purchases and leases from approved suppliers will be about 42-80% of your total purchases to establish the Franchised Business, and about 10 to 20% of your purchases and leases in operating the Franchised Business. During our last fiscal year, ended July 31, 2024, TXS derived \$117,800 in revenue from the sale or lease of products or services to franchisees. This revenue represents approximately 11% of our total revenue of \$1,078,491 for fiscal year 2024. During our last fiscal year, ended July 31, 2024, our Affiliate, IM=X Pilates, Inc., derived \$326,877 in revenue from the sale or lease of products or services to franchisees.

We and our Affiliate may receive rebates or other consideration from suppliers in consideration for goods or services that we require or advise you to obtain from approved suppliers, and we reserve the right to do so in the future. Our revenue or other consideration received may include promotional allowances, volume discounts, and other payments.

We reserve the right to receive sales commissions from third-party vendors such as our preferred marketing partners.

#### Purchasing or Distribution Cooperatives

We do not have purchasing and distribution cooperatives as of the Issuance Date of this Franchise Disclosure Document; however, we negotiate alternative purchase arrangements with suppliers and distributors of approved products for the benefit of our franchisees, and we reserve the right to receive rebates or volume discounts from our purchase of products we may resell to you. There are no caps or limitations on the maximum rebates we may receive from our suppliers as the result of franchisee purchases.

#### Supplier Payments to Us

Some of our approved vendors make payments to us from franchisee purchases, and we reserve the right in the future to receive payments from additional vendors.

#### Franchisee Compliance

We do not provide any material benefit to you, such as renewal or granting additional franchises to you, based on your use of designated or approved sources. However, you must be in compliance with your Franchise Agreement in order to be able to renew it and we may terminate your Franchise Agreement if you are in breach of it.



**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 disclosure document.**

Obligation	Section in Franchise Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Sections 2.3 and 2.4	Items 7 and 11
b. Pre-opening purchases/leases	Sections 6.2	Items 7 and 11
c. Site development and other pre-opening requirements	Article 2	Item 11
d. Initial and ongoing training	Article 4	Item 11
e. Opening	Article 6	Item 11
f. Fees	Articles 4, 5, 6, 8, 9, 10, 17, and 22	Items 5, 6, 7, 8, and 11
g. Compliance with standards and policies/Operating Franchise Operations Manual	Section 6.2	Item 11
h. Trademarks and proprietary information	Article 3	Items 13 and 14
i. Restrictions on products/services offered and Requirements on products/services offered	Section 6.2.3	Item 16
j. Warranty and customer service requirements	Section 10.4.5	Not Applicable
k. Territorial development and sales quotas	Sections 5.2 and 6.5	Item 7
l. Ongoing product/service purchases	Section 6.2	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 6.2	Item 11
n. Insurance	Section 5.12	Items 6, 7 and 8
o. Marketing and Advertising	Sections 5.4, 5.5, 6.5 and 6.6	Item 11
p. Indemnification	Article 14	Items 13 and 14
q. Owner’s participation/management and staffing	Sections 6.8, 6.10	Item 15
r. Records and reports	Articles 11	Item 6
s. Inspections and audits	Sections 6.7 and 11.4	Item 6
t. Transfer	Article 9	Item 17
u. Renewal	Article 8	Item 17
v. Post-termination obligations	Sections 10.3 and 10.4	Item 17
w. Non-competition covenants	Article 12 and Section 20.2	Item 17
x. Dispute resolution	Article 17	Item 17



## **ITEM 10 FINANCING**

We do not offer direct or indirect financing for any amount due under the Franchise Agreement. We do not guarantee your note, lease or any other obligation.

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

**Except as listed below, we are not required to provide you with any assistance.**

### Pre-Opening Obligations

Before you open your Franchised Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Designate your exclusive territory (Franchise Agreement, Schedule 1).
2. Provide you with advice in identifying a suitable location for opening and operating the Franchised Business (Franchise Agreement, Section 2.3). We work with a real estate group that may assist in finding a location. We recommend that you utilize this service. There is no fee for you using the assistance of locating a lease with our vendor. We may advise you in selecting a suitable location for your Franchised Business. However, you shall be solely responsible for site selection and securing a lease for the premises. We must approve your lease including the monthly payment obligation and location before you can open your Franchise. Your final site selection is your primary responsibility subject to our written approval of your choice.

You must have a lease approved by us at least 45 days prior to opening your Franchised Business. We have the sole right and discretion to approve or not approve your lease, although such approval will not be unreasonably withheld. You shall make all commercially reasonable efforts to include our lease rider (Exhibit G-6) and the following terms and conditions: You shall have your Franchised Business location buildout and furnished in accordance with our specifications within 180 days of execution of this Agreement unless otherwise approved in writing by us. If you do not open your Franchised Business within 180 days after signing the Franchise Agreement, you must pay us an Extension Fee of \$695 for each 30-day extension until your Franchised Business is open. Failure to pay us the Extension Fee shall constitute a default of this Agreement, for which we may terminate this Agreement. During the Term of this Agreement, the site at which you shall operate your facility must be used exclusively for the purpose of operating your Franchised Business, as designated in Section 1.1 herein and no other business unless we approve, in our sole discretion, for you to add related services to your Franchised Business. If your Franchised Business is damaged or destroyed by fire or other casualty, or requires repair or reconstruction by any governmental authority, you shall, at your expense, repair your Franchised Business within a reasonable time deemed by us.

Franchisee is solely responsible for conforming the premises to local ordinances and building codes and obtaining and required permits, and/or constructing, remodeling, or decorating the premises, and/or hiring and training employees. We do not charge you/your staff courses fees for Staff Certification and Training, but we do charge Practical Exam fees. See Item 6.

We estimate that the typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the Franchised Business and the opening of your Franchised Business is



approximately five to eight months. Some factors which may affect this timing are your ability to acquire a location through lease or purchase negotiations; your ability to secure any necessary financing; your ability to comply with local zoning and other ordinances; your ability to obtain any necessary permits and certifications; the timing of the delivery of equipment and inventory; and the time to convert, renovate, or build-out your Franchised Business.

3. Upon request, provide recommendations for the Franchised Business design and layout to create a quality appearance of your Franchised Business (Franchise Agreement, Section 6.2). We will provide you with written specifications for equipment assembly, layout designs and guidance. Franchisor has approved suppliers for signs and its affiliate manufactures its proprietary US-made equipment. Detailed business setup is communicated in meetings via presentations in Business Training.

4. Provide you and approved staff with our online Business Training (Franchise Agreement, Article 4).

5. Provide you and your designated staff with our instructor certification courses (Franchise Agreement, Article 4).

6. Provide you and approved staff with ongoing access to additional courses for quality control, adding new programs, and adding new staff as required (Franchise Agreement, Article 4).

7. Provide you with access to our marketing program and materials which you will need to market your Franchise (Franchise Agreement, Section 7.1). We may provide an official Facebook and Instagram Business Page. Creation of alternate or additional social media Profiles, Pages and Groups using the IM=X Pilates tradename is not allowed. Creation of any web page, email or domain name using the IM=X tradename is strictly prohibited.

8. Provide you with a customized software template we deem necessary for the scheduling and billing of your Franchised Business sessions. This template is required for the sale of your services and products and should not be altered. (Franchise Agreement, Section 7.4).

9. Loan or make available to you one copy of the confidential operations manual (the “Franchise Operations Manual”) for the term of the Franchise Agreement, which may be provided electronically or via a password protected area of our website. The table of contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit E (Franchise Agreement, Section 7.6).

10. Provide you with one copy of the franchise Marketing Workbook (Franchise Agreement, Section 7.9).

11. We will provide you with a web page and landing pages on imxpilates.com to promote your Franchised Business as designed by us, an email account, and hosting (Franchise Agreement, Section 7.11).

12. Provide you with two password-protected areas: one for access to operational and marketing documents and the other for staff training support (Franchise Agreement, Section 7.12).

13. We are not required to provide any other service or assistance to you before the opening of the Studio. You shall open your facility within 180 days from execution of this Agreement by us unless we give prior written consent otherwise.



### Continuing Obligations

During the operation of your Franchised Business, we (or our designee(s)) will provide the following assistance and services to you:

1. Certify additional employees and provide advanced coursework to your initial group of instructors either virtually or in person (Franchise Agreement, Article 4 and Section 7.2).
2. Provide advice regarding improvements and developments in the Franchised Business (Franchise Agreement, Section 7.3).
3. Provide advice regarding administrative, bookkeeping, and software (Franchise Agreement, Sections 7.3 and 7.4).
4. Provided you comply with all obligations in the Franchise Agreement, we will periodically analyze your sales, promotional efforts, and financial status and furnish you with suggestions as to any improvements that we believe to be necessary and appropriate (Franchise Agreement, Section 7.3).
5. Provide you with marketing and advertising programs as may be developed by us and deemed by us to be helpful in the operation of your Franchised Business (Franchise Agreement, Section 7.7).
6. Inform you of new programs and updates which are relevant to the operation of a Franchised Business (Franchise Agreement, Section 7.8).

### Optional Assistance

During the term of the Franchise Agreement, we (or our designee(s)) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks, or copyrighted materials, new products, new equipment, or new techniques.
2. Make periodic visits to the Franchised Business for the purpose of assisting in all aspects of the operation and management of the Franchised Business, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Franchised Business, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges (Franchise Agreement, Section 6.7).
3. Support you with social media content and marketing. We retain the rights to the use of our brand on any social media outlet.

### Advertising

We may develop promotional programs that are regional and local in scope and that may be disseminated via print media, press releases, email or digital/online. Media coverage may be local, regional, or national. Advertising may be developed in-house or by regional and national advertising agencies. We have no obligation to spend any amount on advertising in the area or territory where you are located.



### *Marketing and Other Advertising*

Studio owners must follow our Marketing Workbook and digital and direct mail marketing calendar and spend at least \$1,500 per month towards marketing to reach and maintain our designated membership quotas, which for a Fitness Studio is a minimum of 200 members plus no less than 30 Elite and/or Private Training members and for a Personal Training Studio is a minimum of 100 members and no less than 30 Elite and/or Private Training members. You must also follow our pre-opening and grand-opening marketing and sales program and marketing plan by offering no less than eight free introductory classes and privates weekly in our designated software until you have no less than 200 members plus 30 Elite and/or Private Training members. You must follow our social media program, print library, advertising library, and other marketing instructions. We highly recommend that you work with our centralized preferred vendors if we designate them. If you do not have your membership quota upon your first anniversary, we may require you to take additional marketing and sales training at our then-current rate (currently \$150/hour). Following training we will provide you with a prescribed marketing effort which you will be required to implement.

You will obtain our prior approval of all advertising and promotional plans and materials not prepared by us which approval may be withheld in our sole discretion. You will submit previously unapproved plans and materials to us, and we will approve or disapprove such plans and materials within 14 days after our receipt. You will promptly discontinue the use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from us. If you use any marketing, advertising or promotional materials or campaigns that we have not approved, you will pay us an “Unauthorized Advertising Fee” of \$500 per occurrence which may be contributed to the Brand Fund in our sole discretion.

There is no advertising cooperative nor is there any requirement that a franchisee must participate in any such organization.

### *Internet*

You may not create a website, webpage, blog, social media page, web video page (including but not limited to a YouTube or Vimeo page/channel), app, or any other public page for your Franchised Business on the internet or World Wide Web without our prior approval and if such approval is granted, then only in accordance with the guidelines established by us. You may not use any Marks on the internet or World Wide Web or in a domain name or email address without our prior written consent. You must comply with our internet policy(ies) as they now exist, or may be established.

### *Brand Fund*

You must contribute our then-current fee (currently \$175/month) to the Brand Fund beginning in the fourth month after signing the Franchise Agreement. The Brand Fund will be administered by us.

The Brand Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including Internet, social media, direct response literature, direct mailings, and brochures or other. The Brand Fund may also be used for administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future studios and the brand; agency and consulting services; research; and any expenses approved by us. We may also use the Brand Fund to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the System or the Franchised Businesses, including our



website, search engine optimization, social media and reporting of information for Franchised Businesses. We will have sole discretion over all matters relating to the Brand Fund.

We may reimburse ourselves, our authorized representatives, or our affiliates from the Brand Fund for administrative costs; reasonable accounting, bookkeeping, reporting, and legal expenses; taxes; and all other direct or indirect expenses associated with the programs funded by the Brand Fund. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the Brand Fund or to maintain, direct, or administer the Brand Fund. Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Unaudited financial statements of the Brand Fund are available for review upon written request.

For the fiscal year ended July 31, 2024 the Brand Fund had the following expenditures: 95 percent for production (new landing pages for franchises, website optimization updates, new photo and video shoots, graphic design, search engine optimization, social media software and content development, web consulting, web hosting, website registration fees, etc.), 2% administrative expenses, and 3% other uses.

Any monies in the Brand Fund at the end of a fiscal year remain in the Brand Fund and accrue from year to year. Although we intend the Brand Fund to be of perpetual duration, we reserve the right to terminate the Brand Fund. We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been expended.

#### *Marketing Resources, Pre-Approvals for Marketing Materials, and Internet Marketing*

You may only use the marketing and advertising content that we furnish to you. Content may be customized with your specific studio and location information.

You must utilize only the sales and marketing material provided by us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, marks, and other name identification materials must follow our approved standards. You may not use our logos, marks, and other name identification materials on items to be sold or services to be provided without our prior written approval. If we approve of promotional items or services that will be sold in your Franchised Business, those items or services must be in your Gross Sales and will be subject to royalties. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to us, or if established, the Brand Fund.

We may allow you to market your Franchised Business through social media sites so long as you follow our policies and procedures. Our online policies and procedures may change as technology and the Internet changes. Under our online policies and procedures, we may retain the sole right to market on the Internet, including all use of websites, domain names, social media, advertising, and co-branding arrangements. You must use our landing pages on our registered website for your pay per click or related lead generation programs. You are not permitted to independently market on the Internet, or use any domain



name, address, locator, link, metatag, social media account or search technique or to use words or symbols similar to the Marks. We require ownership of your social media pages to manage our brand content. In all social media activities, you must identify yourself as an independently-owned and operated franchisee. You must seek our permission to run any promotions with third-party companies, and you must follow our guidelines in doing so.

### *Advisory Council*

We reserve the right to form an advisory council to advise us on advertising policies and to provide input regarding the Brand Fund and to promote communications between us and all franchisees. If the advisory council is formed, we may establish bylaws, which will specify the manner in which members are selected. We reserve the right to grant to the advisory council any operation or decision-making powers that we deem appropriate. We reserve the right to form, change, or dissolve the Council, in our sole discretion.

### Computer Equipment and Software

You are required to purchase a computer and TV system that consists of the following hardware and software: (a) a computer (laptop or desktop) of any brand with all necessary software required to run bookkeeping, accounting, and other software, as well as a printer, telephone, wall mounted or portable TV and all necessary hardware to support high speed Internet access and email; and (b) our Designated Software template which will automatically update our records concerning your sales and other activities and provides scheduling and billing functions (collectively the “Computer System”). We estimate the cost of purchasing a Computer and TV System will be between \$1500 and \$3,000. Our Designated Software template can be accessed via desktop or laptop computer, tablet or mobile device. The Designated Software template must be used to manage the daily workflow of the Franchised Business, coordinate the customer ordering experience, track inventory, track purchases of memberships and packages, schedule Private appointments and Semi-Private sessions and record attendance in Private appointments and Semi-Private sessions and other information. You must record all Gross Sales on the Computer System using the Designated Software. You must store all data and information using the Designated Software, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Franchised Business. You must also maintain a high -speed Internet connection at the Franchised Business. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation, maintenance, and support of the Computer and TV System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer and TV System. We estimate the cost of maintaining, updating, or upgrading the Computer and TV System or its components will be approximately \$2,000 every five years. We may revise our specifications for the Computer and TV System periodically for virtual training purposes among others. You must upgrade or replace your Computer and TV System at such time as specifications are revised.

Our current Designated Software provider (currently MBO) charges approximately \$125 per month for the basic technical support package and membership to its software. Fees are subject to increase yearly. Additional services, although not required or necessary, may be purchased at the franchisee’s discretion. You must record all of your Personal Training, Home Training and “Deal” sales as revenue in the software. “Deal” sales include any third party such as Groupon, Money Mailer, Class Pass, and any similar vendor that offers your services.



You acknowledge that failure to utilize the Designated Software (currently MBO) to record your revenue accurately or failure to obtain, maintain and utilize sufficient computer hardware and software as we may require is a material breach of the Franchise Agreement. Once provided to you, you agree not alter or reconfigure the Designated Software template without our written permission and agree to incur our then-current noncompliance fees (currently \$150/day) of your breach. You must sell all of our products and services as designated by us through our Designated Software. You may not alter or add class titles and descriptions without our prior written consent.

Upon receiving a business e-mail address registered under the @imxpilates.com domain, you must check this e-mail account regularly and must only use this account for all correspondence related to your franchised business. You are required to open and read all email communications sent by us. Failure to do so on three or more occasions may result in us charging the then-current non-compliance fee.

You must accept credit and debit cards from customers of your Franchised Business. You may not charge, directly or indirectly through a third party, your customers any additional fees or service charges if they elect to pay by credit or debit card. The Payment Card Industry (“PCI”) requires all companies that process, store, or transmit credit or debit card information to protect the cardholders’ information by complying with the PCI Data Security Standard (“PCI DSS”). Therefore, you must be PCI compliant by following and adhering to the then-current PCI DSS, currently found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org), or any similar or subsequent standard for the protection of cardholder data throughout the term of your Franchise Agreement. PCI mandates the PCI DSS compliance.

You must participate in our IM=X<sup>®</sup> Pilates gift card and loyalty card programs. You must offer customers the ability to buy and make purchases with gift cards and use loyalty cards, using the system we specify.

We (or our designee(s)) will have independent access to the electronic information and data relating to your Franchised Business, such as appointments and customer information, which is electronically collected or stored in your Designated Software account, as well as information and emails on the sub-domain we provide to you, and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchised Businesses. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Designated Software remotely, in your Franchised Business, or from other locations. We are the owner of all MBO data and information stored on your account.

## Initial Training

### *Business Training*

Business training (“Business Training”) must be completed to our satisfaction prior to opening your Franchised Business and adhered to throughout the operation of your Franchised Business. The majority of our training programs are virtual. New franchisees may request additional training classes as well. We provide training programs for you and members of your staff without charge of a tuition or fee, except that if you are acquiring your Franchised Business as the result of a transfer, you will be required to attend our Business Training program and pay a transferee training fee of \$4,000. Business Training is divided into eight online modules which are delivered via virtual meetings. In order to satisfactorily complete Business Training, you will need a laptop or desktop computer with internet access, a printer, and access to our Designated Software (currently “MBO”). You must set up your account with MBO prior to attending



Business Training. You will not receive any compensation or reimbursement for services or expenses for participation in the Business Training program. Your failure to attend a previously scheduled Business Training session will result in a \$300 reschedule fee per occurrence. Additionally, if you later appoint a manager, it is mandatory that they attend our Business Training program. If they cannot join an already scheduled training, then you must pay a \$4,000 Business Training fee for this manager. We reserve the right to update the Franchised Business model and require you retake portions of our Business Training if we do so.

### *Staff Certification(s)*

If you are a Fitness Studio or Personal Training Studio owner, then you or your staff are required to complete the following IM=X<sup>®</sup> certification training programs: IM=X<sup>®</sup> Pilates Basic, Tower/Tower Barre, Advanced Xercizer, Super Advanced Xercizer, Platform, and Barre (if applicable). You, or staff that you delegate, are required to complete all courses in a timely manner. The IM=X<sup>®</sup> Pilates Basic and IM=X<sup>®</sup> Pilates Tower/Tower Barre must be completed prior to your studio opening. You may not add any staff member to your Franchised Business schedule to teach any format prior to completing the Practical Exam for that corresponding program. Failure to do so will result in a material default of your Franchise Agreement.

The IM=X<sup>®</sup> Basic Certification will be conducted either on-site, or virtually as we may determine, for you and your staff. The course lasts five consecutive days, 8 hours per day, after which you and your staff complete 40 practice hours and a practical exam (“Practical Exam”). A review session virtually or in person may be required. You or your staff will pay for any travel, lodging, and related travel expenses that may occur during the certification training programs.

Additional certification courses are available to you upon your request provided we have a minimum of six weeks’ notice and there is no conflict with previously scheduled training. If we require that a Master Trainer train on-site for such additional training, then you will be required to pay a day rate of \$1200 plus the Master Trainer’s travel and lodging. We encourage you to recover some of your costs by charging your staff/instructors nominal fees for Master Trainer travel. By giving you prior written notice, we may require supplemental training by you and your staff. Supplemental training may be required to improve the quality and variety of your services virtually. We may provide you and your staff with additional training virtually at no charge. If additional virtual training hours are deemed necessary by us, then you will be required to schedule those hours in a timely manner at the current review rate. You and your staff must complete all required training, as previously described, to our satisfaction.

Although not obligated by the Franchise Agreement to do so, following the opening of the Franchised Business, we will be available at your request to consult about the operation of the Franchised Business. We currently do not charge for this consultation or assistance, but we reserve the right to do so in the future.



## TRAINING PROGRAM

Subject	Hours of Classroom or Online/Phone Conference Training	Practice Hours and Exam Requirements	Location
IM=X <sup>®</sup> Pilates Basic Certification <sup>(1)</sup>	40 hours (2 days floor and 3 days Xercizer)	40 written practice hours (3 hours for Floor and 1.5 for Xercizer Practical Exams)	Virtual or on-site at a studio location designated by us
Review Sessions <sup>(2)</sup>	2-4 hours for improving teacher skills	None	Virtual
IM=X <sup>®</sup> Tower/Tower Barre Certification <sup>(3)</sup>	14 hours	Recommended 20 self-study practice hours (2 hours Practical Exam)	Virtual or on-site at a studio location designated by us
IM=X <sup>®</sup> Pilates Advanced Certification <sup>(3)</sup>	24 hours (3 days Xercizer)	Recommended 20 self-study practice hours (3 hours Practical Exam)	Virtual or on-site at a studio location designated by us
IM=X <sup>®</sup> Pilates Super Advanced Certification <sup>(3)</sup>	24 hours (3 days Xercizer)	Recommended 20 self-study practice hours (3 hours Practical Exam)	Virtual or on-site at a studio location designated by us
IM=X <sup>®</sup> Cycle/Tower Certification <sup>(3)</sup>	7 hours	Recommended 10 self-study practice hours (1 hour Practical Exam)	Virtual or on-site at a studio location designated by us
IM=X <sup>®</sup> Platform Program Certification <sup>(3)</sup>	7 hours	Recommended 10 self-study practice hours (1 hour Practical Exam)	Virtual or on-site at a studio location designated by us
IM=X <sup>®</sup> Barre Program Certification <sup>(3)</sup>	7 hours	Recommended 10 self-study practice hours (1 hour Practical Exam)	Virtual or on-site at a studio location designated by us
Business Training <sup>(4)</sup>	24+ hours of Online Modular Training plus up to 3 meetings	Practice of software as needed; exam required	Virtual

**Notes:**

The training subjects may vary, and the training may be less than the times indicated above, depending on the number and experience of the attendees.

1. The IM=X<sup>®</sup> Pilates Basic Certification is an intensive, five day program which includes two days spent learning Floor and three days spent learning the Xercizer (our patented reformer). Upon successful completion of the program, attendees will be certified as IM=X<sup>®</sup> Pilates Instructors/Personal Trainers. The required Course Materials for this course are available for you to purchase online. A Practical Exam is required for each component (one Practical Exam for Floor and one for Xercizer) and may be conducted virtually or in-person. Review sessions are 2-4 hours in length and are mandatory for you and your staff. Review sessions reinforce the proper techniques for teaching skills of the IM=X<sup>®</sup> programs. We reserve the right in our sole discretion to require Review Sessions.



2. All of the additional IM=X<sup>®</sup> courses prepare your staff to teach advanced programs that are proprietary to us and the Franchise System. All of these courses have specified prerequisites for entry (i.e., Advanced Certification has a prerequisite of the Basic Certification) and require a Practical Exam. Practical Exam fees are collected via EFT at the time of registration which must be no later than the week prior to a course. You should collect the EFT fees directly from your staff upon course registration. All Practical Exam fees are non-refundable and nontransferable.
3. This course will train you and your designated manager how to operate your Franchised Business. The topics covered include navigating the password-protected area, certification information, marketing material, editing web promotions, utilizing our Designated Software (currently MBO) for online promotions, utilizing the Marketing Workbook, and other general operating procedures. This course is an online modular training. There may be instances where we believe you or your manager need to repeat some portion of our Business Training. We reserve the right in our sole discretion to require Review Sessions.

The following Instructors currently teach our initial training programs:

Instructor	Years of Experience in the Field	Years of Experience with the Franchisor*
Elyse McNergney	30	20
Lauren Humm Fakete	18	14
Sara Manganello	14	11
Renee Raiche	28	20

\*Includes years of experience with our affiliate, IM=X Pilates Inc.

## ITEM 12 TERRITORY

You will operate from one location, or multiple locations if you are purchasing multiple franchises, which we must approve. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You will receive a protected territory for each of your Franchised Businesses (“Territory”). Your Territory will be defined by a radius (generally 3 miles). The minimum Territory for a Fitness Studio will have a population of approximately 60,000 people, and a Personal Training Studio will have a population of approximately 30,000 people. We obtain the population count through the United States Census Bureau.

We may approve the relocation of the Franchised Business or the establishment of additional franchised outlets based upon the reasons for the request, such as market demand, availability of a strong location, and other similar factors.

We do not grant options, rights of first refusal, or similar rights to acquire additional Franchises not purchased through a multi-pack at the time of signing.

We grant to you a protected territory in that we will not establish in your Territory either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar



trademarks or service marks. However, you will not receive an exclusive territory. You may face competition from us or other franchisees. Within your Territory, using our principal trademarks licensed to you or using different trademarks, we reserve the right to use other channels of distribution to sell our services and products including but not limited to virtual training, streaming video content, certification courses, rings, and exercise equipment (Towers and Xercizers) and replacement parts, and our Affiliate maintains an online store for the sale of these products and services. We are not obligated to pay any compensation to you for soliciting or accepting orders from inside your Territory. You do not have the right to make sales through alternative channels of distribution, including Internet sales or catalog sales. You cannot solicit customers, advertise, accept orders, or provide services outside your Territory without our prior written consent. A customer located in your territory is not restricted from taking classes at another Franchised Business. Similarly, a customer in the territory of another franchisee is not restricted from taking a class at your Franchised Business.

Your protected territory will remain throughout the entire term of the Franchise Agreement unless you do not renew. Upon renewal, we reserve the right to modify your Territory based upon population fluctuations.

Should you become in default of your Franchise Agreement then we have the right to (i) terminate your Franchise Agreement, (ii) award additional franchises within your Territory or otherwise permit another franchisee to operate within your Territory, (iii) reduce the geographic size of your Territory, or (iv) any combination of the above options.

We do not operate nor have plans to operate either franchises or company-owned outlets selling similar products or services under a different trademark, but we reserve the right to do so in the future.

We (and any affiliates that we periodically might have) may engage in any activities we deem appropriate that are not expressly prohibited by the Franchise Agreement, whenever and wherever we desire, including:

- (a) establishing and operating Franchised Businesses, and granting rights to other persons to establish and operate Franchised Businesses, on any terms and conditions we deem appropriate and at any locations other than within your Territory;
- (b) providing, and granting rights to other persons to provide, goods and services similar to and competitive with those provided at Franchised Businesses to customers located within your Territory, whether identified by the Marks or other trademarks or service marks, through any distribution channel other than a Franchised Business located within your Territory (including sales of alternative distribution channels);
- (c) acquiring the assets or ownership interests of one or more businesses providing products and services similar to those provided at Franchised Businesses, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within your Territory); and
- (d) being acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Franchised Businesses, or by another business, even if the business operates, franchises or licenses competitive businesses within your Territory.



**ITEM 13  
TRADEMARKS**

The Franchise Agreement and your payment of the Monthly Royalty Fee grants you the non-exclusive right and license to operate your Franchised Business using our principal trademarks (“Marks”) listed below. You may also use other future trademarks, service marks, and logos we approve to identify your Franchised Business.

The Marks were assigned to us by our Affiliate, IM=X Pilates Inc., on October 26, 2017, and are owned by us. IM=X Pilates Inc. has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Registered Mark	Registration Number	Registration Date	Register
IM = X	1,971,305	April 30, 1996	Registered on the Principal Register

Our Affiliate and us have filed all required affidavits and renewed its registration for the Mark.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

Except for the Trademark License, no agreement significantly limits our right to use or license the Marks in any manner material to the Franchise. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks.

You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Franchised Business that you are an independently-owned and operated licensed franchisee of The Xercize Studio. You may not use the Marks in the sale of unauthorized products or services, or in any manner we do not authorize. You may not create a website or webpage, blog, social media page, web video page (including but not limited to a YouTube or Vimeo page/channel), app, or any other public page for your Franchised Business on the internet or World Wide Web. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the Franchised Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us.

No agreements limit our right to use or license the use of the “IM=X®” service and trademarks.

We may, in our sole discretion, defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party’s intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims against you arising out of your use of the Marks you must promptly notify us. You are further obligated to notify us of the use of, or claims of rights to, a trademark identical to or



confusingly similar to a Mark licensed to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Principal Trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If it becomes advisable at any time, in our sole discretion, for us or you to modify or discontinue using any Mark or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There is a patent and engineering prints that were used in the original equipment design for the IM=X<sup>®</sup> franchise: Exercise Machine, U.S. Patent Number 6,045,491 dated April 4, 2000. Our CEO, Elyse McNergney, owns this patent.

All certification course materials and operational documents are proprietary and protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the content and format of our products, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not filed an application for a copyright registration for the Franchise Operations Manual, Sales Brochure, Business Training, our advertising materials, the content and format of our products, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your Franchise, but such copyrights remain our sole property. The use of the manuals, as well as the copyrighted course materials, including the IM=X Basic, Basic Review, Tower/Tower Barre, Advanced, Super Advanced, Platform, Cycle/Tower, Yoga, Barre, Heart Rate Training, and Spinal Fitness Certifications, Franchise Operations Manuals, Marketing Workbook and the instructional online content and videos, is limited only to you and your employees.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

All of our Franchise Manuals, Video, Presentations, online content, electronic information and communications, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts and systems on, knowledge of, and experience in the development, operation, and franchising of studios, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Franchises, and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the



confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Franchised Business during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Franchised Businesses during the term of the Franchise Agreement.

You must notify us within three days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets, and we are not required to participate in the defense of, or provide indemnification to you in connection with, any proceeding related to the Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets. If we require you to modify or discontinue use of the Copyrighted Works, Confidential Information, or Trade Secrets, you must comply with all of our requirements.

You and your employees must sign a Confidentiality Agreement (which is Schedule 2 to the Franchise Agreement) where you and your employees will maintain the confidentiality of our Manuals and any other information we designate as confidential. The Confidentiality Agreement includes a non-competition clause for your employees, meaning that after an employee is no longer employed by you, they may not participate in or be employed by a competing business. We will have an independent right to enforce the terms of the agreement. This non-competition clause may not be enforceable in some states. The non-competition clause for our franchisees and all Master Trainers is two years and 25 miles.

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

If you are an individual, you must directly perform or supervise operations of the Franchise, unless we otherwise consent in writing. If we agree that you need not personally perform or supervise the Franchise, the Franchise must be directly supervised by an individual who has successfully completed our



Business Training program. If you replace a manager, the new manager must satisfactorily complete our Business Training program at your own expense. The manager need not have an ownership interest in a corporate or partnership franchisee. If you are an entity, direct, on-site supervision must be carried out by a designated shareholder who meets with our approval, an “operating principal.”

Any manager and, if you are an entity, an officer, that does not own equity in the franchisee entity must sign the System Protection Agreement, the form of which is attached to this Franchise Disclosure Document in Exhibit G. All of your employees, independent contractors, agents, or representatives that may have access to our Confidential Information must sign a Confidentiality Agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit G.

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

You must offer and sell only the products and services that conform to our standards and specifications unless otherwise approved by us in writing. You must discontinue selling and offering for sale any products and services that we disapprove.

You must offer and sell all the products and services authorized by the franchisor for the type of outlet through which you operate unless we otherwise approve in writing.

We have the right to add additional authorized products and services that you must offer. There are no limits on our right to do so. We may develop a retail product line of clothing or nutrition products. Once this has been done, franchisees may be asked to carry these products to the consumers.

You may not sell products or services, or advertise products or services, within another franchisee’s territory. You may not establish an account or participate in any social networking sites besides the Facebook Page assigned to you, and a Twitter or Instagram site as approved by us. You may not use our Marks in any social networking sites unless by posting or re-posting our official content, or with our express written consent. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales.

You must comply with all applicable laws and regulations and obtain all appropriate governmental approvals for the Franchised Business. You must operate in conformity with the methods, standards, and specifications prescribed by us to maintain uniformity within our System and to provide the highest degree of quality and service.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section In Franchise Agreement	Summary
a. Length of franchise term	Article 8	Term is 10 years.



Provision	Section In Franchise Agreement	Summary
b. Renewal or extension of the term	Article 8	If you are in good standing and you meet other requirements, you may enter into a new Franchise Agreement, which will have a new term of 10 years.
c. Requirements for franchisee to renew or extend	Article 8	Franchisee cannot be in default of current Franchise Agreement, must give written notice, sign new Franchise Agreement and any ancillary documents for the successor term, update the location to comply with current standards, sign release, pay renewal fee.  You may be asked to sign a contract with materially different terms and conditions than your initial contract. The boundaries of your Territory may not remain the same. The fees on renewal will not be greater than the fees that we then impose on similarly situated renewing franchisees.
d. Termination by franchisee without cause	Not Applicable	The Franchisee cannot terminate the Franchise Agreement without cause.
e. Termination by franchisor without cause	Not Applicable	We cannot terminate your Agreement without cause.
f. Termination by franchisor with “cause”	Article 10	We can terminate only if franchisee defaults.
g. “Cause” defined-curable defaults	Section 10.1	Breach of contract or Franchise Business Training or Operations Manual for a default that does not provide for immediate termination; transfer without our consent; failure to pay monies owed by you to us; operating the Franchised Business from a location other than the location address approved by us; failure to pass our certification and training or to open the Franchised Business within the scheduled time; failure to use our methods; or failure to attend review sessions and advanced courses as may be required by us.
h. “Cause” defined-non-curable defaults	Section 10.2	Insolvency; abandonment; mutual agreement; misrepresentation; violation of law; three breaches within 12 months; criminal conviction; false books, records or reports; excess customer complaints; selling certifications to non-franchise staff or employees without our express written consent.

<b>Provision</b>	<b>Section In Franchise Agreement</b>	<b>Summary</b>
i. Franchisee's obligations on termination/non-renewal	Sections 10.3 and 10.4	Cease use of Marks and proprietary material; return the Franchise Operations Manual, all other manuals, and all other proprietary material; return Xercizers; make paid Xercizers available for purchase; pay monies owed; resolve customer disputes; destroy membership lists; abide by non-compete.
j. Assignment of contract by franchisor	Section 9.8	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	Section 9.3	Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise, or interest in the Franchise.
l. Franchisor approval of transfer by franchisee	Section 9.3	We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section 9.3	Franchisee is not in default. Proper notification, all documents and financial statements related to the transfer are provided to TXS, new franchisee qualifies, transfer fee paid, transferee training fee paid, purchase agreement approved, payment of all debts owed by franchisee associated with Franchised Business, training arranged, release signed by you and current agreement signed by new franchisee.
n. Franchisor's right of first refusal to acquire franchisee's business	Section 22.3	We can match any offer for your Franchised Business.
o. Franchisor's option to purchase franchisee's business	Section 22.3	We have the option to purchase your business.
p. Death or disability of franchisee	Sections 9.6 and 22.7	Franchise must be assigned by estate to approved buyer within 180 days.
q. Non-competition covenants during the term of the franchise	Article 12 and Section 20.2	Neither you, your principal owners, nor any immediate family members of you or your principal owners may participate in a diverting business, have no owning interest in, loan money to, or perform services for a competing business anywhere in the U.S., other than existing business. You may not interfere with our or our other franchisees' Franchise(s).



Provision	Section In Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 20.2	No competing business for two years within 25 miles of your former studio. Owners and immediate family members cannot have an interest in, own, manage, operate, finance, control, or participate in any Competitive Business within: (i) a 25- mile radius of your Franchised Business (and including the premises of the Franchised Business); and (ii) a 25-mile radius of all other Franchises that are operating or under construction, for two years. Owners may not solicit any customer, employee, or independent contractor of the Franchise or any other TXS Franchise for two years.
s. Modification of the agreement	Section 23.2	No modification except by written agreement signed by both parties.
t. Integration/merger clause	Section 23.2	Only the term of the Franchise Agreement and other related written agreements are binding (subject to law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 17.9 and 17.10	Except for certain claims all disputes must be mediated in Clinton, CT, subject to state law.
v. Choice of forum	Section 17.2 and Article 18	All disputes must be mediated, arbitrated, and if applicable, litigated where the Franchisor's corporate headquarters are located (currently Clinton, Connecticut), except as provided in the State-Specific Addendum to this Franchise Disclosure Document, subject to applicable state law.
w. Choice of law	Section 17.1 and Article 18	Connecticut law applies subject to any contrary provision contained in the State-Specific Addendum (See <u>Exhibit D</u> ), subject to applicable state law.

## ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote Franchises.

## ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and franchisor-owned outlets, and affiliate-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document.



Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Elyse McNergney at 24 West Main Street, #211, Clinton, CT 06413 and (212) 997-5550 the Federal Trade Commission, and the appropriate state regulatory agencies.



**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1

System-wide Outlet Summary  
For Years Ended July 31, 2021 – July 31, 2024

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021 to 2022	30	30	0
	2022 to 2023	30	34	+4
	2023 to 2024	34	37	+3
Company-Owned	2021 to 2022	0	0	0
	2022 to 2023	0	0	0
	2023 to 2024	0	0	0
<b>Total Outlets</b>	<b>2021 to 2022</b>	<b>30</b>	<b>30</b>	<b>0</b>
	<b>2022 to 2023</b>	<b>30</b>	<b>34</b>	<b>+4</b>
	<b>2023 to 2024</b>	<b>34</b>	<b>37</b>	<b>+3</b>

Table No. 2

Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
For Years Ended July 31, 2021 – July 31, 2024

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
New York	2021 to 2022	0
	2022 to 2023	0
	2023 to 2024	1
<b>Totals</b>	<b>2021 to 2022</b>	<b>0</b>
	<b>2022 to 2023</b>	<b>0</b>
	<b>2023 to 2024</b>	<b>1</b>



Table No. 3

Status of Franchised Outlets  
For Years Ended July 31, 2021 – July 31, 2024

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
Arkansas	2021 – 2022	0	1	0	0	0	0	1
	2022 – 2023	1	0	0	0	0	0	1
	2023 – 2024	1	0	0	0	0	1	0
California	2021 – 2022	6	1	0	0	0	0	7
	2022 – 2023	7	1	0	0	0	0	8
	2023 – 2024	8	2	0	0	0	0	10
Connecticut	2021 – 2022	1	0	0	0	0	0	1
	2022 – 2023	1	0	0	0	0	0	1
	2023 – 2024	1	0	0	0	0	0	1
Florida	2021 – 2022	2	1	0	0	0	0	3
	2022 – 2023	3	1	0	0	0	0	4
	2023 – 2024	4	1	0	0	0	0	5
Idaho	2021 – 2022	0	0	0	0	0	1	0
	2022 – 2023	0	0	0	0	0	0	0
	2023 – 2024	0	0	0	0	0	0	0
Louisiana	2021 – 2022	1	0	0	0	0	0	1
	2022 – 2023	1	0	0	0	0	0	1
	2023 – 2024	1	0	0	0	0	0	1
Maryland	2021 – 2022	1	0	0	0	0	0	1
	2022 – 2023	1	0	0	0	0	0	1
	2023 – 2024	1	0	0	0	0	0	1
Minnesota	2021 – 2022	0	0	0	0	0	1	0
	2022 – 2023	0	0	0	0	0	0	0
	2023 – 2024	0	0	0	0	0	0	0
Nevada	2021 – 2022	1	0	0	0	0	1	0
	2022 – 2023	0	0	0	0	0	0	0
	2023 – 2043	1	0	0	0	0	0	1
New Jersey <sup>(1)</sup>	2021 – 2022	4	0	0	0	0	1	4
	2022 – 2023	4	0	0	0	0	0	4
	2023 – 2024	4	2	0	0	0	0	6



State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of the Year
New York <sup>(1)</sup>	2021 – 2022	3	0	0	0	0	0	3
	2022 – 2023	3	1	0	0	0	0	4
	2023 – 2024	3	0	0	0	0	0	4
North Carolina	2021 – 2022	2	0	0	0	0	0	2
	2022 – 2023	2	0	0	0	0	0	2
	2023 – 2024	2	0	0	1	0	0	1
Oregon	2021 – 2022	2	0	0	0	0	0	2
	2022 – 2023	2	0	0	0	0	0	2
	2023 – 2024	2	0	0	0	0	0	2
Pennsylvania	2021 – 2022	2	0	0	0	0	0	2
	2022 – 2023	2	0	0	0	0	0	2
	2023 – 2024	2	0	0	0	0	0	2
Texas	2021 – 2022	3	0	0	0	0	1	2
	2022 – 2023	2	0	0	0	0	0	2
	2023 – 2024	2	1	0	0	0	0	3
Wisconsin	2021 – 2022	1	0	0	0	0	0	1
	2022 – 2023	1	0	0	0	0	0	1
	2023 – 2024	1	0	0	0	0	0	1
<b>Total</b>	2021 – 2022	<b>30</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>30</b>
	2022 – 2023	<b>30</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33</b>
	2023 – 2024	<b>33</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>38</b>

<sup>(1)</sup> One outlet in New Jersey and one outlet in New York operate as IM=X® Pilates Personal Training Studios

Table No. 4

Status of Company-Owned Outlets  
For Years Ended July 31, 2021 – July 31, 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<b>Total Outlets</b>	2021 – 2022	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2022 – 2023	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	2023 – 2024	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



Table No. 5

Projected Openings as of  
July 31, 2023 for July 31, 2024

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
California	2	2	0
Florida	3	3	0
Arizona	1	1	0
New York	6	6	0
Nevada	2	2	0
Texas	1	1	0
<b>Total</b>	<b>15</b>	<b>15</b>	<b>0</b>

Exhibit F contains a list of the names of all franchisees and the addresses and telephone numbers of their outlets as of the end of our last fiscal year which ended July 31, 2024.

Exhibit F contains a list of the name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

We encourage existing franchisees to refer prospects to us and to share their experiences with prospective franchisees. To compensate for time expended, we may offer free replacement parts and practical exams to their staff.

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

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us, and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. There are no trademark-specific organizations formed by our franchisees that are associated with the IM=X® Pilates System.

## **ITEM 21 FINANCIAL STATEMENTS**

Exhibit B contains our audited financial statements for fiscal years ended July 31, 2024, 2023, and 2022, with the audit report on those statements. Our fiscal year end is July 31.



**ITEM 22  
CONTRACTS**

The following exhibits contain proposed agreements regarding the Franchise:

Exhibit C	Franchise Agreement
Exhibit D	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the IM=X® Pilates Franchise

**ITEM 23  
RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit H, are a detachable document, in duplicate. Please detach, sign, date, and return one copy of the Receipt to us, acknowledging that you received this Franchise Disclosure Document. Please keep the second copy for your records.



**EXHIBIT A**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<p><b><u>CALIFORNIA</u></b>  <u>State Administrator and Agents for Service of Process:</u>  Department of Financial Protection and Innovation  2101 Arena Boulevard  Sacramento, CA 95834  (213) 576-7500  (866) 275-2677</p> <p><b><u>HAWAII</u></b>  Commissioner of Securities of the State of Hawaii  335 Merchant Street, Room 205  Honolulu, HI 96813  (808) 586-2722</p> <p><u>Agent for Service of Process:</u>  Commissioner of Securities of the State of Hawaii  Department of Commerce and Consumer Affairs  Business Registration Division  335 Merchant Street, Room 203  Honolulu, HI 96813  (808) 586-2722</p> <p><b><u>ILLINOIS</u></b>  Illinois Attorney General  Chief, Franchise Division  500 S. Second Street  Springfield, IL 62701  (217) 782-4465</p> <p><b><u>INDIANA</u></b>  Secretary of State  Securities Division, Room E-018  302 W. Washington Street  Indianapolis, IN 46204  (317) 232-6681</p>	<p><b><u>MARYLAND</u></b>  Office of the Attorney General  Securities Division  200 St. Paul Place  Baltimore, MD 21202  (410) 576-6360</p> <p><u>Agent for Service of Process:</u>  Maryland Securities Commissioner  200 St. Paul Place  Baltimore, MD 21202-2020</p> <p><b><u>MICHIGAN</u></b>  Michigan Department of Attorney General  Consumer Protection Division  525 W. Ottawa Street  Lansing, MI 48906  (517) 373-7117</p> <p><b><u>MINNESOTA</u></b>  Department of Commerce  Commissioner of Commerce  85 Seventh Place East, Suite 280  St. Paul, MN 55101-3165  (651) 539-1600</p> <p><b><u>NEW YORK</u></b>  <u>Administrator:</u>  NYS Department of Law  Investor Protection Bureau  28 Liberty Street, 21<sup>st</sup> Floor  New York, NY 10005  (212) 416-8222</p> <p><u>Agent for Service of Process:</u>  Secretary of State  99 Washington Avenue  Albany, NY 12231-0001  (518) 473-2492</p>	<p><b><u>NORTH DAKOTA</u></b>  North Dakota Securities Department  State Capitol, Fifth Floor, Dept. 414  600 E. Boulevard Avenue  Bismarck, ND 58505-0510  (701) 328-4712</p> <p><b><u>RHODE ISLAND</u></b>  Department of Business Regulation  1511 Pontiac Avenue, Bldg. 68-2  Cranston, RI 02920  (401) 462-9527</p> <p><b><u>SOUTH DAKOTA</u></b>  Division of Insurance  Securities Regulation  124 South Euclid, Suite 104  Pierre, SD 57501  (605) 773-3563</p> <p><b><u>VIRGINIA</u></b>  State Corporation Commission  Division of Securities and Retail Franchising  1300 E. Main Street, 9<sup>th</sup> Floor  Richmond, VA 23219</p> <p><u>Agent for Service of Process:</u>  Clerk of the State Corporation Commission  1300 E. Main Street, 1<sup>st</sup> Floor  Richmond, VA 23219</p> <p><b><u>WASHINGTON</u></b>  Department of Financial Institutions  Securities Division  150 Israel Road SW  Tumwater, WA 98501  (360) 902-8760</p> <p><b><u>WISCONSIN</u></b>  Department of Financial Institutions  Division of Securities  201 W. Washington Avenue  Madison, WI 53703  (608) 266-3364</p>
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**EXHIBIT B**

**FINANCIAL STATEMENTS**

**AUDITED FINANCIAL STATEMENTS OF  
THE XERCIZE STUDIO, LLC**

**1. AUDITED FINANCIAL STATEMENTS  
JULY 31, 2024, 2023 and 2022**



# THE XERCIZE STUDIO, LLC

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
JULY 31, 2024, 2023, AND 2022



# THE XERCIZE STUDIO, LLC

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## *Independent Auditor's Report*

To the Member  
The Xercize Studio, LLC  
Clinton, CT

### ***Opinion***

We have audited the accompanying financial statements of The Xercize Studio, LLC, which comprise the balance sheets as of July 31, 2024, 2023, and 2022, and the related statements of operations, changes in member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Xercize Studio, LLC as of July 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Kezas <sup>1</sup>/<sub>3</sub> Dunlavy

St. George, Utah  
August 27, 2024

# THE XERCIZE STUDIO, LLC

## BALANCE SHEETS

As of July 31, 2024, 2023, and 2022

	2024	2023	2022
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 437,052	\$ 144,763	\$ 261,784
Accounts receivable, net	17,714	27,000	154,493
Accrued royalties	59,582	48,236	37,492
Deferred commissions	84,000	20,000	-
Due from related party	169,599	169,599	215,892
Total current assets	767,947	409,598	669,661
Total assets	\$ 767,947	\$ 409,598	\$ 669,661
 <b>Liabilities and Member's Equity (Deficit)</b>			
Current liabilities			
Accounts payable	\$ 1,479	\$ 10,830	\$ 6,222
Deferred revenue	618,000	195,000	120,000
Note payable, current	7,099	6,808	6,682
Total current liabilities	626,578	212,638	132,904
Non-current liabilities			
Note payable	284,053	290,587	295,585
Total non-current liabilities	284,053	290,587	295,585
Total liabilities	910,631	503,225	428,489
Member's equity (deficit)	(142,684)	(93,627)	241,172
Total liabilities and member's equity (deficit)	\$ 767,947	\$ 409,598	\$ 669,661

The accompanying notes are an integral part of these financial statements

**THE XERCIZE STUDIO, LLC**  
**STATEMENTS OF OPERATIONS**  
For the years ended July 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenue			
Initial franchise fees	\$ 220,000	\$ 123,000	\$ 258,500
Royalty revenue	740,691	597,026	561,667
Other revenue	117,800	82,441	47,674
Total operating revenue	<u>1,078,491</u>	<u>802,467</u>	<u>867,841</u>
Cost of revenue	85,725	72,500	36,978
Gross profit	<u>992,766</u>	<u>729,967</u>	<u>830,863</u>
Operating expenses			
General and administrative	216,893	84,906	114,493
Professional fees	89,566	59,470	48,544
Advertising and marketing	52,912	48,576	51,829
Total operating expenses	<u>359,371</u>	<u>192,952</u>	<u>214,866</u>
Operating income	633,395	537,015	615,997
Non-operating expenses			
Interest expense	11,972	10,548	6,490
Bad debt	2,810	7,775	-
Total non-operating expenses	<u>14,782</u>	<u>18,323</u>	<u>6,490</u>
Net income	<u>\$ 618,613</u>	<u>\$ 518,692</u>	<u>\$ 609,507</u>

The accompanying notes are an integral part of these financial statements

**THE XERCIZE STUDIO, LLC**  
**STATEMENTS OF MEMBER'S EQUITY (DEFICIT)**  
For the years ended July 31, 2024, 2023, and 2022

Balance as of August 1, 2021	\$	274,926
Member distributions		(643,261)
Net income		609,507
Balance as of July 31, 2022		241,172
Member distributions		(853,491)
Net income		518,692
Balance as of July 31, 2023		(93,627)
Member distributions		(667,670)
Net income		618,613
Balance as of July 31, 2024	\$	(142,684)

The accompanying notes are an integral part of these financial statements

**THE XERCIZE STUDIO, LLC**  
**STATEMENTS OF CASH FLOWS**  
For the years ended July 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flow from operating activities:			
Net income	\$ 618,613	\$ 518,692	\$ 609,507
Adjustments to reconcile net income to net cash provided by operating activities:			
Bad debt	2,810	7,775	-
Changes in operating assets and liabilities:			
Accounts receivable	6,476	119,718	(73,262)
Accrued royalties receivable	(11,346)	(10,744)	(9,909)
Due from related party	-	46,293	46,443
Deferred commissions	(64,000)	(20,000)	45,000
Accounts payable	(9,351)	4,608	(48,998)
Deferred revenue	423,000	75,000	(129,000)
Net cash provided by operating activities	<u>966,202</u>	<u>741,342</u>	<u>439,781</u>
Cash flows provided by financing activities:			
Draws (repayments) on note payable	(6,243)	(4,872)	162,175
Member distributions	(667,670)	(853,491)	(643,261)
Net cash used by financing activities	<u>(673,913)</u>	<u>(858,363)</u>	<u>(481,086)</u>
Net increase (decrease) in cash	292,289	(117,021)	(41,305)
Cash at the beginning of the year	<u>144,763</u>	<u>261,784</u>	<u>303,089</u>
Cash at the end of the year	<u>\$ 437,052</u>	<u>\$ 144,763</u>	<u>\$ 261,784</u>
Cash paid for interest	\$ 11,972	\$ 10,548	\$ 6,490
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

**THE XERCIZE STUDIO, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024, 2023, AND 2022**

(1) Nature of Business and Summary of Significant Accounting Policies

*(a) Nature of Business*

The Xercize Studio, LLC (the “Company”) was formed on May 21, 2003 (“Inception”) in the state of New York. The Company was formed to grant rights to operate fitness and back exercise studios under the IM=X Pilates trademark.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending July 31 of each year.

*(b) Accounting Standards Codification*

The Financial Accounting Standards Board (“FASB”) has issued the FASB Accounting Standards Codification (“ASC”) that became the single official source of authoritative U.S. generally accepted accounting principles (“GAAP”), other than guidance issued by the Securities and Exchange Commission (“SEC”), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

*(c) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

*(d) Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, deposits in banks, and highly liquid investments with maturities of three months or less at the date of purchase. As of July 31, 2024, 2023, and 2022, the Company had cash and cash equivalents of \$437,052, \$144,763, and \$261,784, respectively.

*(e) Accounts Receivable*

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, marketing fees, and other services. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer’s receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of July 31, 2023, the Company had no allowance for doubtful accounts. As of July 31, 2024 and 2022, the Company had an allowance for uncollectible accounts of \$1,903 and \$6,899, respectively. As of July 31, 2024, 2023, and 2022, the Company had net receivables of \$17,714, \$27,000, and \$154,493, respectively.

**THE XERCIZE STUDIO, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024, 2023, AND 2022**

*(f) Revenue Recognition*

The Company's revenues consist of initial franchise fees, royalties based on a percentage of gross revenues, and marketing and technology fees. On August 1, 2020, the Company adopted ASC 606, *Revenue from Contracts with Customers* using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. Management determined that the effect of adopting ASC 606 did not have a material effect on the Company's financial statements.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price (which includes an initial fee and ongoing royalties and marketing fees), and the Company's performance obligations.

Upon evaluation of the five-step process, the Company has determined that royalties and marketing fees are to be recognized in the same period as the underlying sales. In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, the initial fees are allocated to the pre-opening services, which are recognized as revenue upon commencement of operations.

**THE XERCIZE STUDIO, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024, 2023, AND 2022**

*(g) Income Taxes*

The entity is organized as a limited liability company (LLC) under the laws of the State of New York and files a tax return in the state of Connecticut. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-like-ly-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of July 31, 2024, the following tax years are subject to examination:

Jurisdiction	Open Years for Filed Returns	Return Filed In 2024
Federal	2021-2023	2023
Connecticut	2021-2023	2023

*(h) Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expenses for the years ended July 31, 2024, 2023, and 2022 were \$52,912, \$48,576, and \$51,829, respectively.

*(i) Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, long term notes receivable, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same. Related party transactions may not be stated at fair market value.

*(j) Concentration of Risk*

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

**(2) Accrued Royalties**

The Company invoices its franchisees on the first day of the month after the royalties are earned. As such, an accrual is recorded to properly recognize the royalty revenues in the current period. As of July 31, 2024, 2023, and 2022, the Company had accrued royalties of \$59,582, \$48,236, and \$37,492, respectively.

**(3) Related Party Transactions**

During the year ended July 31, 2018, the Company sold its inventory at cost to an affiliate entity in exchange for a promissory note with a principal balance of \$308,628. The note does not bear interest, requires quarterly payments of \$15,431 beginning on October 1, 2019, and has a maturity date of October 1, 2024. During the year ended July 31, 2021, the Company amended the promissory note to defer payments until October 1, 2021. As of July 31, 2024, 2023, and 2022, the outstanding balance on this note was \$169,599, \$169,599, and \$215,892, respectively.

**THE XERCIZE STUDIO, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2024, 2023, AND 2022**

(4) Note Payable

On May 23, 2020, the Company entered into a note payable with the United States Small Business Administration (“SBA”). The loan had an initial principal balance of \$136,100, accrued interest at an annual rate of 3.75%, and required 349 monthly payments of \$664 beginning May 23, 2021. On March 30, 2022, the Company modified the note agreement, drawing an additional \$163,800 and changing the monthly payment to \$1,492. As of July 31, 2024, 2023, and 2022, the loan had a combined principal balance and accrued interest of \$291,152, \$297,395, and \$302,267, respectively.

(5) Deferred Revenue

The Company’s revenue recognition policy is to recognize initial franchise fees when the Company has performed substantially all of its obligations under the franchise agreement. The Company has determined that those initial services are generally considered substantially performed when the franchisee is open for business. Accordingly, the Company defers revenue and costs related to any franchises sold that have not met the criteria of revenue recognition. The Company anticipates that all franchise revenue and commission expense deferred during the year will be opened and recognized in the following year. The amount of franchise revenue and commission expense deferred as of July 31, 2024, 2023, and 2022 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Deferred Franchise Sales	\$ 618,000	\$ 195,000	\$ 120,000
Deferred Commissions	\$ 84,000	\$ 20,000	\$ -

(6) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(7) Subsequent Events

Management has reviewed and evaluated subsequent events through August 27, 2024, the date on which the financial statements were issued.

**EXHIBIT C**  
**FRANCHISE AGREEMENT**



The Xercise Studio, LLC dba IM=X Pilates and Fitness  
24 West Main Street, #211, Clinton, Connecticut 06413

800.IMX.1336/212.997.5550

[imxpilates.com](http://imxpilates.com)



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## FRANCHISE AGREEMENT

Franchise No. \_\_\_\_\_

THIS FRANCHISE AGREEMENT (hereinafter “Agreement”) is made and entered into as of the day and date set forth on the signature page below, by and between The Xercize Studio, LLC (hereinafter “TXS” “we” “us” or “our”), a New York limited liability company having its principal place of business at 24 West Main Street, #211, Clinton, CT 06413, and the franchisee named on the signature page of this Agreement (hereinafter referred to as “Franchisee,” “your,” or “you”).

### INTRODUCTION AND RECITALS

WHEREAS, TXS and its affiliates have invested considerable time, effort and money to develop an exercise system and method for spine stabilization, flexibility, strength, body composition change, pelvic floor strength and overall physical health; and have developed public goodwill, trade names, service marks, patents and logos including the mark IM=X Pilates and Fitness for its services throughout the United States;

WHEREAS, TXS is the licensee of certain trademarks, service marks and patents which are registered or pending with the United States Patent and Trademark Office;

WHEREAS, TXS is engaged in the business of granting franchises and licenses to operate its IM=X<sup>®</sup> Pilates Fitness and Personal Training Studio models (collectively “Franchised Business”) and programs using our trade secrets, uniform standards, proprietary certifications, program protocols, patented equipment, product specifications and operating procedures;

WHEREAS, IM=X<sup>®</sup> Pilates Personal Training Studio model locations are designed to be located within free standing locations, chiropractic, physical therapy or existing medical facilities or fitness and wellness centers or spas;

WHEREAS, IM=X<sup>®</sup> Pilates and Fitness model locations are designed to be located in free standing buildings, shopping centers or other retail locations;

WHEREAS, you recognize the benefits from being identified with the IM=X<sup>®</sup> Pilates system (“Franchised System” or “System”) and IM=X<sup>®</sup> Pilates, Fitness and Back Exercise programs;

WHEREAS, you recognize the value of uniformity in a system of Franchised Businesses, and you further recognize the value of the IM=X<sup>®</sup> Pilates tradename, trade secrets, knowledge and experience gained through the operation of IM=X<sup>®</sup> certifications, licensing, equipment, programs, and the value of the Marks;

WHEREAS, you have studied and fully understand TXS’ IM=X<sup>®</sup> Pilates Fitness Studio and Personal Training Studio franchise offering, and the terms and conditions herein. You have reviewed TXS’ Franchise Disclosure Document (“FDD”) and this Agreement, and have had the opportunity to examine the IM=X<sup>®</sup> Pilates System to familiarize yourself with the IM=X<sup>®</sup> programs and business offering;

WHEREAS, you desire to acquire a franchise to operate an IM=X<sup>®</sup> Pilates Franchised Business at the location specified in this Agreement for the entire term of this Agreement. You acknowledge receipt of a copy of the FDD from TXS, and have had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by financial and legal counsel of your own choosing prior to your execution, and are entering into this Agreement not upon any representation as to the profits and sales



volume which you might be expected to realize, nor upon any representations or promises by TXS which are not contained in this Agreement; and

WHEREAS, you acknowledge that (1) the success of the business venture considered herein involves risks and depends on your ability as an independent business person and your active participation in the daily operation of the business; (2) no assurance or warranty, express or implied, has been given as to the potential success of such business venture or the gross revenues, volume or earnings likely to be achieved and (3) no statement, representation or other act, event or communication, except as set forth herein, is binding on TXS in connection with the subject matter contained in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants, terms and conditions contained herein and other good and valuable consideration, the parties hereto agree as follows:

## **ARTICLE 1** **GRANT OF FRANCHISE**

**1.1 Licensed Rights.** We grant to you the right, during the term of this Agreement, to use our Marks as we may specify (the “Marks”). You are designated as a participant in our exercise system while operating your Franchised Business. You shall be granted the right to operate a Fitness Studio or Personal Training Studio as designated on the Addendum to Franchise Agreement (the “Addendum”) attached to this Agreement as Schedule 1.

**1.2 Single Site.** We grant you the right to use and operate a Franchised Business from a single, approved site under the trademark “IM=X”. Your facility shall be within the limits or boundaries of the “Territory” as described in Article 2 of this Agreement. For the purpose of this Agreement, “Fitness Studio or Personal Training Studio” shall be deemed to include all activities in the nature of exercise and personal training that we may require or approve for your use.

**1.3 Use of Marks.** We require you to use the Marks to promote your Franchised Business. You shall not use the Marks as part of your corporate name but may file appropriate notices required under an applicable fictitious or assumed name law (also see Sections 3.2 and 3.3). You may not use our registered name in connection with the sale of any unauthorized online movie file, product or service, the formation of a new entity by you or in any manner not authorized in writing by us. You must not directly or indirectly contest our right to use our trademarks, trade secrets, patents, copyrights, or business techniques that are a part of our business (also see Sections 3.4 and 3.5).

You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Franchised Business that you are an independently-owned and operated licensed franchisee of The Xercise Studio. You may not use the Marks in the sale of unauthorized movie files online, products or services, or in any manner we do not authorize. You may not use the Marks on the internet or World Wide Web or in a domain name or email address without our prior written consent. You must comply with our internet policies. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the Franchised Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us. No agreements limit our right to use or license the use of the “IM=X®” services, education, equipment and trademarks.



We may, in our sole discretion, defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. If you learn of any claim against you for alleged infringement, unfair competition, or similar claims against you arising out of your use of the Marks you must promptly notify us. You are further obligated to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a Mark licensed to you. The Franchise Agreement does not require us to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a Principal Trademark licensed by us to you or if the proceeding is resolved unfavorably to you.

If it becomes advisable at any time, in our sole discretion, for us or you to modify or discontinue using any Mark or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

**1.4 Trade Practices.** You agree that we have the sole right to certain trade practices pertaining to our business and that no goodwill associated with any of the trade practices shall inure to you. It is further agreed that our trade secrets are revealed to you in confidence and you will not, at any time during the term of this Agreement or any time thereafter, use or attempt to use any adapted version of our proprietary Pilates, back exercise or other fitness services, copyrighted certifications and programs or trade secrets in connection with any other entity or business in which you have an interest, direct or indirect, nor shall you disclose, duplicate, reveal, sell or sublicense the trade practices or any part thereof or any way transfer any rights in the trade practices except as authorized by us.

**1.5 Reservation of all Rights.** We reserve the right to establish or operate, or license any other franchisee to establish or operate, a Franchised Business under the System at any location outside of your protected Territory. You may face competition from other franchisees, from outlets that we own, from our offering of online streaming videos, from our offering of virtual certification and training programs, branded products or from other channels of distribution or competitive brands that we control. We (and any affiliates that we periodically might have) also reserve the right:

(a) to establish and operate Franchised Businesses, and grant rights to other persons to establish and operate Franchised Businesses, on any terms and conditions we deem appropriate and at any locations other than within your Territory;

(b) to provide, and to grant rights to other persons to provide, goods and services similar to and competitive with those provided at Franchised Businesses to customers located within your Territory, whether identified by the Marks or other trademarks or service marks, through any distribution channel other than a Franchised Business located within your Territory (including sales of alternative distribution channels);



(c) to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Franchised Businesses, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within your Territory);

(d) to be acquired (regardless of the form of transaction) by a business providing products and services similar to those provided at Franchised Businesses, or by another business, even if the business operates, franchises or licenses competitive businesses within your protected territory; and

(e) to receive sales commissions from third-party vendors.

## **ARTICLE 2**

### **FRANCHISE TERRITORY AND LOCATION**

**2.1 Protected Territory.** You will operate from one location, or multiple locations if you are purchasing multiple franchises, which we must approve.

You will receive a protected territory for each of your Franchised Businesses (“Territory”). Your Territory will be defined by a radius (generally 3 miles). The minimum Territory for a Fitness Studio will have a population of approximately 60,000 people, and a Personal Training Studio will have a population of approximately 30,000 people. We obtain the population count through the United States Census Bureau.

We may approve the relocation of the Franchised Business or the establishment of additional franchised outlets based upon the reasons for the request, such as market demand, availability of a strong location, and other similar factors.

We do not grant options, rights of first refusal, or similar rights to acquire additional Franchises not purchased through a multi-pack at the time of signing.

We grant to you a protected territory in that we will not establish in your Territory either a company-owned or franchised outlet selling the same or similar goods or services under the same or similar trademarks or service marks. However, you will not receive an exclusive territory. A customer located in your territory is not restricted from taking classes at another Franchised Business or online. Similarly, a customer in the territory of another franchisee is not restricted from taking a class at your Franchised Business or online.

Your protected territory will remain throughout the entire term of the Franchise Agreement unless you do not renew. Upon renewal, we reserve the right to modify your Territory based upon population fluctuations.

Should you become in default of your Franchise Agreement, for 30 days or more, then we have the right to (i) terminate your Franchise Agreement, (ii) award additional franchises within your Territory or otherwise permit another franchisee to operate within your Territory, (iii) reduce the geographic size of your Territory, or (iv) any combination of the above options.

Within your Territory, using our principal trademarks licensed to you or using different trademarks, we reserve the right to use other channels of distribution to sell our services and products including but not limited to virtual training, streaming video content, certification courses, rings, and exercise equipment (Towers and Xercizers) and replacement parts, and our Affiliate maintains an online store for the sale of



these products and services. We are not obligated to pay any compensation to you for soliciting or accepting orders from inside your Territory. You do not have the right to make sales through alternative channels of distribution, including Internet sales or catalog sales. You cannot solicit customers, advertise, accept orders, or provide services outside your Territory without our prior written consent.

We do not operate nor have plans to operate either franchises or company-owned outlets selling similar products or services under a different trademark, but we reserve the right to do so in the future.

**2.2 Franchisee's Territory Defined.** The Territory boundaries shall be defined in the Addendum and show on the map set forth in SCHEDULE 1-A of the Addendum.

**2.3 Location of Franchise and Buildout Requirements.** We may advise you in selecting a suitable location for your Franchised Business. However, you shall be solely responsible for site selection and securing a lease for the premises, which location must be approved by us. You shall have your Franchised Business location buildout and furnished in accordance with our specifications within 180 days of execution of this Agreement unless otherwise approved in writing by us. If you do not open your Franchised Business within 180 days after signing the Franchise Agreement, you must pay us an Extension Fee of \$695 for each 30-day extension until your Franchised Business is open. Failure to pay us the Extension Fee shall constitute a default of this Agreement, for which we may terminate this Agreement. During the Term of this Agreement, the site at which you shall operate your facility must be used exclusively for the purpose of operating your Franchised Business, as designated in Section 1.1 herein and no other business unless we approve, in our sole discretion, for you to add related services to your Franchised Business. If your Franchised Business is damaged or destroyed by fire or other casualty, or requires repair or reconstruction by any governmental authority, you shall, at your expense, repair your Franchised Business within a reasonable time deemed by us.

**2.4 Pre-Approval.** Your final selection is your primary responsibility subject to our written approval of your choice. You must have a lease approved by us at least 45 days prior to opening your Franchised Business. We have the sole right and discretion to approve or not approve your lease, although such approval will not be unreasonably withheld. You shall make all commercially reasonable efforts to include our lease rider (Exhibit G-6) and the following terms and conditions:

**2.5 No Guarantee.** We do not warrant, represent, guarantee or assure you that your Franchised Business granted herein will be successful or profitable, nor that the Franchised Business granted herein will meet your expectations. You hereby waive and release any right or claim in connection therewith against us or any of our affiliates, including any claim relating to the selection or location of your Franchised Business. You acknowledge that the suitability of a location and success of your franchise operation, depends on many factors outside our control (including such factors as interest rates, unemployment rates, demographic trends and the general economic climate), but principally depends upon your efforts and abilities to operate the business thereon.

**2.6 Relocation.** You shall not move or relocate your Franchised Business without our prior written approval. We have the sole right and discretion to approve or not approve said new location or lease, although such approval will not be unreasonably withheld. You shall submit to us a written request stating the new proposed location and a copy of the proposed lease for the proposed location at least 60 days prior to the date of intended relocation. The new location must be in the Territory set forth in the Addendum.

**2.7 Reduction of Territory.** Should you become in default of this Agreement for 30 days or more, then we have the right to (i) terminate this Agreement, (ii) award additional franchises within the Territory



or otherwise permit another franchisee to operate within the Territory, (iii) reduce the geographic size of the Territory, or (iv) any combination of the above options.

### **ARTICLE 3**

#### **TRADEMARKS, TRADE NAMES AND OTHER MARKS**

**3.1 Federal Trademark Registration.** You agree that our trademarks and the patented “IM=X<sup>®</sup> Xercizers (reformers)” are exclusively owned by us; and you will not assert a claim to the ownership thereof or to any goodwill attendant thereto.

**3.2 Restriction of Use.** You must use our name and Marks in your “DBA” as we specify as set forth in the Addendum, typically as “IM=X<sup>®</sup> Pilates and Fitness \_\_\_\_\_” (name of street, area, city, town or county where you are located).

**3.3 Fictitious Name Filing Administrator.** You are required to file the necessary fictitious, trade, or assumed name filing with your local city, county, or state. You cannot use our Marks in your entity name.

**3.4 Trade Secrets.** You agree that all materials made available, and all disclosures made to you at any time before or during the Term of this Agreement relating to the Franchised Business and IM=X<sup>®</sup> exercise programs and Xercizer equipment are exclusively owned by us. You acknowledge that the certification and training manuals, Xercizer patented equipment, financial information, education, exercise programming, marketing strategy and marketing materials are considered confidential trade secrets of TXS and shall be kept confidential by you. You agree not to divulge any of our Confidential Information or trade secrets to any other person other than your employees and then only to the extent necessary for the operation of your Franchised Business. At our request, you shall require each owner or manager to execute an agreement similar in substance to this in a form acceptable to us and naming TXS as a third party beneficiary with the independent right to enforce such agreement. You shall require each teacher or staff to execute a non-compete agreement provided by TXS in Schedule 2 of this Agreement.

**3.5 Franchisee’s Use of the Marks.** You agree to use our Marks as we specify and not to use other trademarks or service marks in the operation of the Franchised Business.

**3.6 Defense of the Marks.** You will not, directly or indirectly, at any time during the Term of this Agreement or thereafter, do or cause any act or thing disputing, attacking or in any way impairing or tending to impair our right, title or interest in the Marks and our proprietary education and equipment. If you learn of any claim, suit or demand against yourself or the Marks on any account, you shall promptly notify us in writing. We will take such action that we think is appropriate under the circumstances, provided you have promptly notified us of the facts of such claims or challenges.

### **ARTICLE 4**

#### **CERTIFICATION AND TRAINING**

**4.1 Certification and Training.** We shall provide you IM=X<sup>®</sup> Business Training, which includes training on our marketing, sales and business systems, for you and approved staff virtually or at a location and time designated by us. Attendance and completion by you prior to opening is mandatory and, by signing this Agreement, you warrant and covenant that you or your studio manager, if applicable, shall attend and complete such training prior to opening. To complete such training, you or your studio manager must pass the corresponding exam.



We shall provide you IM=X<sup>®</sup> Basic and Wall Tower Certification courses, which will be provided virtually unless otherwise determined by us. Attendance by you prior to opening is mandatory and, by signing this Agreement, you warrant and covenant that you and your assigned staff shall attend and complete such training prior to opening. To complete such training, you or your studio manager must pass the corresponding exams.

You agree to pay our then-current fee for the practical exam or certification test of each course (“Practical Exam Fee”), which is due at the time of course registration or no later than one week prior to the course (currently \$225-450 per certification per person). Fees cover the course attendance and the exam for each person. Practical Exam Fees are non-refundable and non-transferrable. If your staff registers for a certification and fails to attend, all Practical Exam fees are forfeited. If your staff fails the Practical Exam of any course, your staff person may be required to do additional study at our then-current rate (\$150/hour) and then re-take the Practical Exam at the same rate. Our current cost for Course Materials range between \$70-\$140 per certification course per registrant. Prior to opening you or your staff must pass the Practical Exam of the Basic Floor and Xercizer and Wall Tower Certifications.

Practical Exam fees are valid for three (3) months from the conclusion of the certification course for which they are paid. If you or your staff person fail to complete any Practical Exam within this timeframe, an extension fee of \$150 will be charged in order to grant an additional three (3) months for Practical Exam completion. Upon the expiration of the three-month extension, if a Practical Exam has not yet been completed, all fees are considered forfeited. We may require you or your staff to retake the IM=X<sup>®</sup> Basic or other certifications over time as we deem appropriate for the quality control of the service. If required, you and your staff must complete such training in a timely manner at the applicable retake fee, currently \$150 per day.

If you operate a Fitness Studio or Personal Training Studio then you and/or your staff are required to complete and pass the Practical Exams of the IM=X<sup>®</sup> Pilates Basic Floor and Xercizer, and the IM=X<sup>®</sup> Tower/Tower Barre prior to your opening. Within three years of opening, you and/or your staff are required to complete and pass the Practical Exams of the IM=X<sup>®</sup> Advanced Xercizer and IM=X<sup>®</sup> Super Advanced Xercizer Certifications as well as the IM=X<sup>®</sup> Platform and possibly the IM=X<sup>®</sup> Barre. We reserve the right to determine the prerequisites of each certification course. Your staff may not teach course material prior to satisfactorily completing the corresponding Practical Exam.

Additional IM=X<sup>®</sup> curriculum may be available for you and your assigned staff but is not mandatory. The criteria for accomplishing these certifications are defined by TXS and any failure to pass certification tests may result in mandatory attendance of Review Sessions or a retake to be scheduled at our discretion, online or in person at a location determined by us. Periodic Review Sessions are mandatory continuing education, and our current rate is \$150 per hour. All Practical Exam and related training fees are debited from your business account via Electronic Funds Transfer (EFT).

**4.2 On-going Training.** Annual training is required to uphold the standards of the System. We also have additional courses that are recommended, but not mandatory. You agree to pay our then-current cost to provide additional business and marketing training or assistance (currently \$150 per hour). Additional training payment is due before additional training or assistance is provided.

Our Master Trainer may conduct certification training courses either in person or virtually via video conference. You and your staff are eligible to register for any certification course on the calendar. You may request specific dates for a certification course for the first three years of your Franchised Business. Course dates are subject to availability and require at least six (6) weeks’ notice to book.



If you request a Master Trainer to conduct an on-site training at your location, then you must pay a day rate of \$1200 plus the Master Trainer's travel and lodging. All of these fees will be debited via EFT at time of booking and no later than one week prior to the on-site visit.

You must allow staff from other Franchised Business locations to attend certification courses that you may request or schedule, either on-site or virtually, just as your staff may attend certification courses hosted by or scheduled by other Franchised Businesses.

**4.3 Charges and Costs.** Your failure to attend a previously-scheduled Business Training session will result in a \$300 rescheduling fee per occurrence. Additionally, if you later appoint a manager, it is mandatory that they attend our Business Training program. If they cannot join an already-scheduled training, then you must pay a \$4,000 Business Training fee for this manager. All expenses pertaining to attendance at the certification and training programs, including travel, lodging, meals and incidentals are paid by you or your staff.

## **ARTICLE 5**

### **FRANCHISEE'S FEES AND OTHER PAYMENTS**

**5.1 Initial Franchise Fee.** The Initial Franchise Fee is due upon the signing of this Agreement and is set forth in the Addendum. A Fitness Studio is Forty-Six Thousand Dollars (\$48,000) and a single Personal Training Studio is Forty Thousand Dollars (\$44,000). If you do not open your franchise within 180 days from the date of execution of this Agreement, TXS shall have the sole right to terminate this Agreement without refunding any part of the Initial Franchise Fee or any other fees incurred by you. If you choose and we approve to train clients in our services from a temporary location, then we may deem you to be open. All Initial Franchise Fees must be paid via Electronic Funds Transfer (EFT).

If you purchase the rights to open multiple Fitness or Personal Training Studio Franchised Businesses (the "Multi-2," "Multi-3" or "Multi-4" Pack), it will be noted on the Addendum and you will sign a separate Franchise Agreement for each additional Studio you acquire at the same time you sign this Agreement but collectively you will pay the Initial Franchise Fee set forth in the Addendum (all other fees will apply). The Initial Franchise Fee for a Fitness Studio Multi-2 is Ninety Thousand Dollars (\$90,000); Multi-3 is One Hundred and Twenty Thousand Dollars (\$120,000) and Multi-4 is One Hundred and Forty Thousand Dollars (\$140,000); and for a Personal Training Studio Multi-2 is Eighty Thousand Dollars (\$80,000); Multi-3 is One Hundred and Five Thousand Dollars (\$105,000) and Multi-4 is One Hundred and Twenty Thousand Dollars (\$120,000)

You acknowledge and agree that the Initial Franchise Fee is in consideration of all of our pre-opening assistance and our lost or deferred opportunity to enter into a Franchise Agreement with others, and it offsets some of our expenses for franchisee recruitment. The Initial Franchise Fee is non-refundable in all circumstances, even if you fail to open any Fitness or Personal Training Studio Franchised Businesses.

**5.2 Monthly Royalty Fee.** You agree to pay to us a monthly royalty fee ("Monthly Royalty Fee") commencing the month after your Franchised Business begins selling services (regardless of the day in which you open). Your Monthly Royalty Fee shall be the greater of Eight Hundred Ninety-Five Dollars (\$895) or 6 percent of your Gross Sales (defined herein) during the initial year of your Franchised Business and thereafter for the remainder of the term the greater of One Thousand Two Hundred Ninety Five Dollars (\$1295) or 6 percent of your Gross Sales per month. All royalty calculations will be based on the online software designated by us currently Mind Body Software, Inc or MBO (the "Designated Software") and monthly bank statement for the corresponding time frame. The Monthly Royalty Fee is payable on or before



the fifth day of each month throughout the Term of this Agreement. Your failure to record your services and goods accurately in the software is a material breach of this Agreement. You will generate a monthly report through the software by generating a report of Sales per month and email it to us along with your monthly bank statement by the 7<sup>th</sup> of each month so we can debit your bank account via EFT for the Monthly Royalty Fee payment owed to us.

Your failure to provide authorization to TXS for debiting the Monthly Royalty Fee from your bank account shall be a material intentional default of this Agreement and subject to our then-current noncompliance fee (currently \$150/day). The Monthly Royalty Fee is non-refundable, with the exception of any fees that may have been overpaid to TXS in error by you. If you purchase or are otherwise a transferee of a Franchised Business that is already in operation, you agree to begin paying the Monthly Royalty Fee immediately, in which case the Monthly Royalty Fee for the first month will be prorated based on the number of days the Franchised Business is in operation and payable on or before the fifth day of the second month of operation. **“Gross Sales”** means all revenue of any kind generated from the sale of all services and products and includes all income of any kind whether for cash or credit, as well as business interruption insurance proceeds related to the Franchised Business, including specifically, but without limitation, all revenue from membership services and sessions including, home, virtual, workshops, private, duet training, semi-private and group training, retail sales, Practical Exams, and any other income or deposits made to your account, including but not limited to rental income, sublease income, retail products, and other training material for staff, etc., regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your Franchised Business or online, and also including all ancillary income from additional services provided by healthcare practitioners and other licensed individuals. Gross Sales also includes the value of services that you offer as a barter or comp or in-kind, unless the service is an Introductory Session or Free Week trial, which services are limited to one per person and for new customers only. Please note that the following are excluded from Gross Sales: (a) any sales tax and excise tax or equivalent taxes that you collect for or on behalf of any governmental taxing authority and paid to it provided same are clearly and separately shown; the value of any allowance issued or granted to any client of the Franchised Business that you credit in good faith in full or partial satisfaction of the price of approved produces and/or services.

**5.3 Brand Fund.** We currently maintain and administer a marketing and advertising fund (“Brand Fund”) for national and regional advertising programs as we may deem necessary or appropriate, in our sole discretion. During the Term of this Agreement and any extension thereof and beginning in the fourth month after you sign the Franchise Agreement, you will begin to pay a minimum continuing monthly fee of for your Franchised Business (individually and collectively, “Brand Fund Contribution”) which is currently \$175/month. We will collect this fee via EFT (Exhibit G-4).

We reserve the right to form an advisory council to advise us on advertising policies and to provide input regarding the Brand Fund and to promote communications between us and all franchisees. If the advisory council is formed, we may establish bylaws, which will specify the manner in which members are selected. We reserve the right to grant to the advisory council any operation or decision-making powers that we deem appropriate. We reserve the right to form, change, or dissolve the Council, in our sole discretion.

We shall direct all national and regional advertising programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof. You understand and acknowledge that the Brand Fund is intended to maximize general public recognition and acceptance of the System and the Marks for the benefit of all Franchised Businesses operating under the System, and that we undertake no obligation in administering the Brand Fund to ensure that expenditures from the Brand Fund are proportionate or equivalent to your contributions made for your Franchise



Business, or that any particular Franchised Business or franchisee benefits directly or pro rata from the placement of any such advertising.

You agree that the Brand Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national and regional advertising materials, programs and public relations activities (including, without limitation, the cost of preparing and conducting television, radio, Internet, social media, direct response literature, direct mailings, brochures, magazine, billboard, newspaper, direct mail and other media programs and activities, for conducting marketing surveys, test marketing, employing advertising agencies to assist therewith, and providing promotional brochures, coupons and other marketing materials to all franchisees of the System). It may also be used to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the System or the Franchised Businesses, including our website, search engine optimization, social media and reporting of information for Franchised Businesses. We will have sole discretion over all matters relating to the Brand Fund.

The Brand Fund shall be maintained in a non-interest bearing account that is separate from our general funds and shall not be used to defray any of our general operating expenses, except for such reasonable administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Brand Fund and its advertising programs. An unaudited statement of the operations of the Brand Fund shall be prepared annually by our accountants and shall be made available to you on written request. The cost of the statement shall be paid by the Brand Fund. We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Brand Fund. Any monies remaining in the Brand Fund at the end of any year will carry over to the next year.

**5.4 Monthly Technology Fee.** During the term of this agreement, you must pay us via EFT our then-current Technology Fee (currently \$325/month) which begins in the fourth month after signing the Franchise Agreement to help cover the costs and expenses associated with, using and integrating the technology and software we provide as part of the System. Franchisor reserves the right to designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time upon providing reasonable written notice to you.

**5.5 Marketing and Advertising.** In addition to the Brand Fund Contribution, you must spend a minimum of \$1,500 per month on local advertising and offer no less than six free introductory classes and privates weekly in our designated software until you reach at least 200 members, plus 30 Elite and/or Private Training members for a Fitness Studio; and for a Personal Training Studio no less than 100 members and 30 Elite and/or Private Training members (“Local Marketing and Advertising Requirement”). If your monthly membership falls below the prescribed quota for three consecutive months, you will again be required to satisfy the Local Marketing and Advertising Requirement. As we request, you must provide us with proof of your expenditures, including a report of the monies spent, copies of the marketing and advertising used and results.

You will obtain our prior approval of all advertising and promotional plans and materials not prepared by us which approval may be withheld in our sole discretion. You may not create a webpage, website, blog, social media page, web video page (including but not limited to a YouTube or Vimeo page/channel), app, or any other public page for your Franchised Business on the internet or World Wide Web without our prior approval and if such approval is granted, then only in accordance with the guidelines established by us. You will promptly discontinue the use of any advertising, online movie files or promotional plans or materials, whether or not previously approved, upon notice from us. If you use any



marketing, advertising or promotional materials or campaigns that we have not approved, you agree to pay us via EFT an “Unauthorized Advertising Fee” of \$500 per occurrence.

**5.6 Web Scheduling and Billing Software.** TXS will purchase and maintain a web page and landing page on imxpilates.com plus website hosting for your Franchised Business. If you are a medical facility or fitness club and you already have a website for your patients/customers then TXS will provide you with specific images, movies and text to describe your IM=X services. You are not allowed to adjust, use, or copy our tradename, trade images, and copyrighted text. TXS recommends that medical centers have one page dedicated to their IM=X Pilates services and a link on the home page leading to their dedicated web page provided by us. Unauthorized use of our tradename is a material default as well as a federal offense. TXS will provide you with the software which will be used to set up the fees structure to perform your scheduling and billing. All hardware costs will be paid by you. Additionally, you will be required to pay our third party Designated Software vendor, their monthly fee for your software. The fee is approximately \$125 per month and is subject to yearly increase. Optionally, you may opt to purchase additional MBO products such as a mobile app, at an additional monthly fee. You shall be required to conform to any updating or new software that we may implement in the future.

**5.7 Late Payments and Remedies.** Any Monthly Fee that is more than 15 days late shall incur interest at 2 percent per month (or the maximum amount permitted by law, if less) and a late fee of \$50 per month which shall be drafted via EFT. No claim by you that TXS is in default under this Agreement shall be a defense to your duty to pay to TXS for Monthly Royalty Fees, Brand Fund Contribution, Technology Fees or other amounts owing hereunder. You agree that you will not, on the grounds of the alleged non-performance by TXS of any of its obligations hereunder, withhold payment of any amounts due to us.

**5.8 Intellectual Property Damage.** You will be required to pay us liquidated intellectual property damages in the amount of \$5,000 to compensate TXS for the breach and related damage to TXS’ proprietary System if you in any way compromise the secure access to TXS’ online training movies and password areas, including, but not limited to, allowing unauthorized users access to TXS’ confidential training materials.

**5.9 Noncompliance Fee.** In addition to any other rights we may have under this Agreement, you shall pay via EFT, a noncompliance fee in the amount of \$150 per day for any failure to comply with your obligations under this Agreement. The collected fine amounts shall be due and collected immediately and are nonrefundable. .

**5.10 Extension Fee.** You agree to pay our then-current fee to extend the opening of your Franchised Business for 30 days should you fail to open within 180 days after signing this Agreement (“Extension Fee”). We will debit your bank account by electronic funds transfer for the Extension Fee, which is currently \$695, for each 30-day extension until your Franchised Business is open.

**5.11 Payment.** All payments to be made to TXS under this Agreement shall be made via Electronic Funds Transfer (EFT). You agree to execute and deliver to your bank those necessary documents to authorize such withdrawals and to make payment or deposit as directed by us. You further agree not to terminate such authorization so long as this Agreement is in effect. You agree not to close such bank account without prior notice to us and the establishment of a substitute bank account permitting such withdrawals. You agree that this Agreement provides TXS the authorization to automatically withdraw from your bank account any payments due under this Agreement. In the event this procedure changes in the future, you shall be required to conform to such changes.



**5.12 Insurance.** At your sole expense, you shall purchase and maintain, in effect at all times during the Term of this Agreement, a policy or policies of insurance, naming TXS and IM=X Pilates, Inc. as additional insureds on the face of each policy from our mandatory insurance vendor, as follows:

**5.12.1** Fire, extended coverage, vandalism and malicious mischief insurance for the full replacement value of the premises, improvements and contents;

**5.12.2** Comprehensive general liability insurance, with limits of not less than \$1,000,000 combined for bodily injury or death and property damage coverage of \$1,000,000 naming us, and our affiliates, and their respective officers, directors, employees, and agents as additional insureds; and

**5.12.3** Physical Therapist, Doctor of Chiropractic and Instructor liability insurance and Workers Compensation or similar insurance in amounts required by law (including, without limitation, coverage for your trainees when attending training under Section 4 hereof).

**5.12.4** Business interruption insurance with coverage for at least twelve (12) months for actual losses. (For purposes of this Agreement, “Gross Sales” shall include any proceeds received by Franchisee in connection with a “business interruption” insurance claim and all other revenue as defined in Section 5.2 herein). All such policies shall contain a statement that they cannot be cancelled without 30 days prior written notice to you and TXS. You shall provide documentary evidence to us that such insurance is in full force and effect at least 30 days prior to the opening of your franchise. You shall promptly notify us of all claims against you or TXS. All policies shall be renewed, and a renewal certificate emailed to TXS at franchise@imxpilates.com. This obligation is separate and distinct from your obligation to indemnify TXS as specified in Article 14.

**5.13 Applicable Law.** You agree to comply with applicable law to operate your Franchised Business. You shall be responsible for any local or state sales tax, or any other tax applicable to the purchase of the franchise and the equipment included in the Initial Franchise Fee and any bond requirements.

Franchisor reserves the right to receive sales commissions from third-party vendors.

## **ARTICLE 6**

### **OBLIGATIONS OF FRANCHISEE**

**6.1 Opening.** You shall open your facility within 180 days from execution of this Agreement by us unless we give prior written consent otherwise. If you do not open within 180 days or any extension we may offer, then you must pay the Extension Fee for each 30-day extension until you are open. If you fail to open within 12 months of signing this Agreement, we may terminate this Agreement. If you purchase the rights to open multiple Franchised Businesses, unless we agree to a different development schedule, you have six months to open your first location and then 12 months to open each successive location.

**6.1.1 Opening Date.** TXS, upon written request by you, has the sole discretion in granting an opening date for the Franchised Business. In exercising such discretion, we will consider the following: (1) you and your staff’s ability to deliver the IM=X® programs within the standards set forth by us and (2) your compliance with all provisions of this Agreement. We reserve the sole right to cancel or delay the opening date of your Franchised Business location.

**6.1.2 Delay of Opening Date.** If we have not received all payments as required and under the terms outlined in Article 5; or if you fail to provide documentary evidence of insurance as required in



Section 5.12 of this Agreement, we have the sole discretion to cancel your opening date. If such delay under this subsection results in your not opening within 180 days from execution of this Agreement, we, in accordance with Section 6.1 herein, shall have the right to terminate this Agreement. In the event we extend written permission to operate in a temporary location then we will consider you to be open when you commence training clients in the IM=X Pilates services.

**6.2 Standards and Uniformity.** We shall provide course materials and manuals at our discretion, which shall remain confidential, and you shall not disclose the contents of such materials and manuals to persons other than your employees or staff who have signed non-competition agreements provided by TXS. Failure by you to secure a non-competition agreement from all managers, employees and staff and furnish the same to us shall be a material breach of this Agreement.

**6.2.1 Appearance and Maintenance.** Your franchise will be constructed and improved in accordance with our design protocol. You shall, at your expense, continuously throughout the Term of this Agreement maintain your franchise in good condition and repair in accordance with our current repair and maintenance standards. The proprietary Xercizers and additional equipment shall be maintained in a condition that meets operational standards as specified by TXS. We will automatically charge your account via EFT for replacement springs every 36 months to ensure safety (currently \$325 per Xercizer plus shipping). You will be required to replace springs, foot loops, handles and other wearable items. We reserve the right to add or change manufacturers in our sole discretion. Should our current manufacturer be unable to provide replacement parts, you may be required to purchase new and different equipment as approved by us. You may be required to update your location as defined by us. Failure to comply with these terms shall be deemed a material default of this Agreement.

**6.2.2 Initial Equipment Package.** You will need to acquire our Initial Equipment Package (“Initial Equipment Package” or “IEP”) from our affiliate or third party vendor for each Franchised Business you operate. We recommend you lease the IEP but you have the option purchase it. The IEP for a Fitness Studio includes 15 Xercizers (reformers), 10 Wall Towers with Ballet Bar, 15 Platforms, 20 Stabilization Rings, 10 Body Bars, and 4 sets of educational manuals. The IEP for a Personal Training Studio includes 8 Xercizers (reformers), 8 Wall Towers, 8 Platforms, 10 stabilization rings, 10 Body Bars and 4 sets of educational manuals. The delivery date of the Xercizers must be arranged to occur no less than 45 days prior to opening your franchise.

**6.2.3 Goods and Services Offered.** You shall offer and sell only the goods and exercise services that conform to our format specifications and standards unless otherwise provided in writing by us. You shall offer all goods and fitness/therapeutic back exercise programs that we designate as required for your Franchised Business, unless otherwise provided in writing by us. We reserve the right to add additional authorized services and products as the franchise system grows (e.g., Nutrition or Weight Management Program and Products, Pre-Recorded Class options and any and all services and products which TXS deems appropriate). You will be required to offer these additional services and products as determined by TXS. Any additional programs or retail products that are added by you must be approved by us. We may support you in adding services such as massage by a licensed massage therapist, but you are not obligated to do so. We also recommend relationships with other healthcare practitioners such as chiropractors, physical therapists and nutritionists; and we may help facilitate such relationships to add to your core services. You acknowledge that all such ancillary income will be recorded in our billing software and will be subject to the Monthly Royalty Fee. You agree to reimburse us our evaluation costs (“Supplier and Product Evaluation Fee”) if we inspect a new product, service, or proposed supplier nominated by you.

**6.3 Hours of Operation.** If you operate a Fitness Studio, then you shall be open for business at a minimum of 60 hours per week offering no less than 50 classes including free introductory classes and 20



private training appointments, excluding federal holidays, unless otherwise authorized by us or unless prohibited by applicable law.

**6.4 Manner of Operation.** You shall maintain the highest standards of quality and teaching in operating your Franchised Business as outlined and prescribed by us in our proprietary certification process. To maintain uniformity of teaching the IM=X<sup>®</sup> programs, you shall use only the standard form of class/service descriptions on your schedule (as listed in the software or provided by us), record keeping, intake forms, marketing materials and other printed material uniformly prescribed by us.

**6.5 Advertising and Promotional Materials.** Only those advertising and promotional materials authorized and provided by us shall be used by you. No use of the Marks shall be made without the prior written approval of TXS. You shall use the Marks only in the forms prescribed by us. All advertising or promotional materials, signs or other items that we designate to you shall be in the form, color, location and manner prescribed by us (including advertisements on the Internet or on a worldwide web page) and shall either be furnished by us or a TXS designated supplier. You agree to maintain and display signs reflecting our current image and shall not place additional signs or posters at your franchise without the prior written consent of TXS. You shall discontinue the use of any signs declared obsolete by us within a reasonable time specified by TXS. You hereby grant to TXS the right to enter your facility to remove unapproved or obsolete signs if you have failed to do so within 30 days after our written request.

You must follow our marketing plan including offering no less than six free introductory classes and privates weekly in our designated software at your franchise. We may request periodic reports regarding your marketing efforts. Currently, these reports must be provided monthly. You shall follow our pre-opening marketing and sales program. If you own a Fitness Studio then you must engage in our paid marketing and advertising program until you have no less than 200 members, plus at least 30 Elite and/or Private Training members; and if you own a Personal Training Studio then you must do so until you have no less than 100 members plus 30 Elite and/or Private Training members. Failure to do so is a material breach of this Agreement. You must follow our social media training, print library, advertising library, and other marketing instructions; and may not create your own promotional material of any media to market the IM=X<sup>®</sup> services. If after twenty-four (24) months you fail to reach or fall below your membership quota, we may require you to take additional marketing, sales, business, or other training as we determine at our hourly training rates. Following training we will provide you with a prescribed marketing effort which you will be required to implement.

**6.6 Advertising Cooperative.** There is no advertising cooperative.

**6.7 Right of Entry and Inspection.** We may require you to pay us for the cost of inspection or for testing at your Franchised Business including without limitation secret shopper quality assurance. We have the unrestricted right to enter your Franchised Business, or to authorize a third party such as a secret shopper to enter your Franchised Business to conduct such activities as we deem necessary to ascertain your compliance with this Agreement. These inspections are limited to one occurrence per year, unless an inspection identifies any incidences of non-compliance with this Agreement, thus incurring the need for additional inspections to confirm any identified defaults have been cured. The inspections may be conducted without prior notice. Our then-current rate for the cost of inspection or testing (currently \$200 to \$600 per visit) is due when billed.

**6.8 Management and Instructor Certification.** You and your manager must complete the IM=X<sup>®</sup> Business Training; additionally, you and/or your staff must complete the IM=X<sup>®</sup> Basic Certification and the IM=X<sup>®</sup> Tower/Tower Barre Certification prior to opening your Franchised Business. Owners or staff must also complete the IM=X<sup>®</sup> Advanced Xercizer, IM=X<sup>®</sup> Super Advanced Xercizer, IM=X<sup>®</sup> Barre



and IM=X® Platform Certifications over a three year period which includes the Practical Exams. Staff and managers must also periodically attend Review Sessions at our then-current rate (currently \$150 per hour) or retake a course at our then-current rate (currently \$150 per day). If you are a corporation, partnership or other legal entity, you may designate a shareholder, partner or member as the “operating principal” who must be acceptable to TXS.

**6.9 Information Technology Requirements.** You are required to purchase a computer system that consists of the following hardware and software: (a) a computer (laptop or desktop) of any brand with all necessary software required to run bookkeeping, accounting, and other software, as well as a printer, telephone, and all necessary hardware to support high speed Internet access and email; and (b) our third party Designated Software vendor (currently MBO) which will automatically update records concerning your sales and other activities and provides scheduling and billing functions (“Computer System”). We estimate the cost of purchasing the Computer System will be between \$500 and \$2,000. The Computer System will manage the daily workflow of the Franchised Business, coordinate the customer ordering experience, track inventory, and other information. You must record all Gross Sales in the Designated Software. You must also maintain a high-speed Internet connection at the Franchised Business. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System. You must arrange for installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer System. We cannot estimate the cost of maintaining, updating, or upgrading the Computer System or its components because it will depend on your repair history, costs of computer maintenance services in your area, and technological advances, which we cannot predict at this time. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised. There is no limitation on the frequency and cost of this obligation.

Our Designated Software vendor (currently MBO) charges approximately \$125 per month for technical support and membership to its software. Fees are subject to increase yearly. You must record your Home Training and “Deal” sales as revenue in the MBO software. “Deal” sales include Living Social, Groupon, Money Mailer, Class Pass, and any similar vendor that offers your services at a discount.

You acknowledge the failure to utilize the Designated Software and record your revenue accurately is a material breach of this Agreement. You acknowledge and understand that failure to obtain, maintain and utilize sufficient computer hardware and software as TXS may require shall constitute a material breach of this Agreement. Upon receiving a business e-mail address registered under the @imxpilates.com domain, you must check this e-mail account regularly and must only use this account for all correspondence related to your franchised business.

You must accept credit and debit cards from customers of your Franchised Business. You may not charge, directly or indirectly through a third party, your customers any additional fees or service charges if they elect to pay by credit or debit card. The Payment Card Industry (“PCI”) requires all companies that process, store, or transmit credit or debit card information to protect the cardholders’ information by complying with the PCI Data Security Standard (“PCI DSS”). Therefore, you must be PCI compliant by following and adhering to the then-current PCI DSS, currently found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org), or any similar or subsequent standard for the protection of cardholder data throughout the term of your Franchise Agreement. PCI mandates the PCI DSS compliance.

We (or our designee(s)) will have independent access to the electronic information and data relating to your Franchised Business, such as appointments and customer information, which is electronically collected or stored in your MBO account, as well as information and emails on the sub-domain we provide



to you, and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchised Businesses. This may include posting financial information of each franchisee on an intranet website. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Franchised Business, or from other locations. We are the owner of all Designated Software data and information stored on your sub-domain

**6.10 Personal Service Contract.** This Agreement is a personal service contract and is entered into by us with you in reliance upon and in consideration of your personal qualifications made by you with respect to this Agreement. You and your selected staff will be certified and trained by us in accordance with Article 4 and will actively participate in your franchise. Additional new hires may be certified and trained by us up to a maximum of 20 certifications per year if you operate a Franchised Business. You understand and agree that selling such certifications is a material breach of this Agreement. You agree to adhere to our standards of teaching by complying with our certification requirements, no matter the circumstance.

**6.11 Supplies and Equipment.** You shall purchase all fixtures, furnishings, signs, equipment, inventory, uniforms, advertising, services and other supplies, products and materials required for the operation of your franchise solely from supplier(s) who have been approved by us and not thereafter disapproved. We reserve the right to increase or decrease the number of approved suppliers and to designate an approved supplier and to make a profit from the suppliers. Nothing contained in this Agreement shall be construed by you as an attempt by us to limit the sources from which you may procure supplies, products, services or other items. You must install all fixtures, furnishings, equipment, supplies and signage in conformance with the Franchise Operations Manual and our specifications and requirements. You shall also have a wall-mounted television screen with internet access for virtual training and quality control purposes as well as a surveillance camera installed in each of your workout rooms. The cameras must be web accessible by us. You will use the cameras to monitor teacher performance, quality assurance and safety. You acknowledge that we have the right to also review and monitor the cameras for the same purposes as you, and to ensure compliance with the System and this Agreement. You must obtain the consent of your customers for use of the cameras and are responsible for any failure to obtain such consent. You will indemnify us for any breaches of privacy from your use of any surveillance cameras.

**6.12 Non-Disparagement.** In all dealings with the public, fellow franchisees, employees, and the TXS corporate staff, TXS requires professionalism and civility in communications. Accordingly, you shall not criticize or disparage TXS, its staff, or other franchisees orally, in writing, or through electronic means, including email and internet postings. To do so is a material breach of this Agreement.

### **6.13 Credit and Debit Cards; Gift Cards and Loyalty Programs.**

**6.13.1** You must accept credit and debit cards from customers of your Franchised Business. You may not charge, directly or indirectly through a third party, your customers any additional fees or service charges if they elect to pay by credit or debit card. The Payment Card Industry (“PCI”) requires all companies that process, store, or transmit credit or debit card information to protect the cardholders’ information by complying with the PCI Data Security Standard (“PCI DSS”). Therefore, you must be PCI compliant by following and adhering to the then-current PCI DSS, currently found at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org), or any similar or subsequent standard for the protection of cardholder data throughout the term of this Agreement. PCI mandates the PCI DSS compliance.

**6.13.2** You must participate in our IM=X<sup>®</sup> Pilates gift card and loyalty card or similar programs. You must offer customers the ability to buy and make purchases with gift cards and use loyalty cards, using the system we specify.



**ARTICLE 7**  
**OBLIGATIONS OF FRANCHISOR**

**7.1 Services Available to Franchisee.** We agree to make available certain services to you and use reasonable efforts to provide such services, including the use of marketing materials and certification programs deemed by TXS to be competitive in the fitness industry. We will make all graphics and artwork and standard Marks, signage reproductions and other items available for your promotional use only. We create and retain ownership of an official Facebook page for your business. Creation of alternate or additional Facebook Profiles, Pages and Groups using the IM=X Pilates tradename is not allowed. Any modifications of Marks and specifications, whether requested or required by planning and zoning boards, building codes, landlords, or otherwise, must be approved in writing by us and may be paid for by you.

**7.2 Certification and Business Training.** IM=X® Basic Certification, IM=X® Review Sessions, IM=X® Advanced Certification, IM=X® Tower/Tower Barre Certification, IM=X® Super Advanced Certification, IM=X® Cycle/Tower Certification, IM=X® Barre Certification and IM=X® Platform Certification (collectively, “Certifications”) for you and your staff will be available at such times and in such locations as selected by us. Your attendance at certification and other training may be required at our sole discretion. IM=X® Business Training which is delivered via online modules will be available at such times as determined by us. Your attendance and expenses related to you and your staff’s attendance are your responsibility.

**7.3 On-going Advice and Assistance.** Provided you comply with all obligations in this Agreement, we shall periodically analyze your sales, promotional efforts and financial status and furnish you with suggestions as to any improvements that we believe to be necessary. We shall provide you with on-going advice as we deem necessary and appropriate. We also reserve the right to charge a fee for additional assistance, such as providing marketing assistance.

**7.4 Schedule and Billing Software.** We will designate the software company to provide you with the software we deem necessary for the scheduling and billing of your Franchised Business sessions.

**7.5 Staff Certification Support.** As you certify new staff or advance the training of existing staff, you will need to purchase Course Materials (manual and on demand bundle as applicable) through our online store. Currently Course Materials range from \$70-\$140 depending on the type of Course. Costs are subject to increase.

**7.6 Franchise Operations Manual.** We will loan you a Franchise Operations Manual for the Term of this Agreement, which may be provided electronically or via a password protected area of our website.

**7.7 Research Data and Advice.** We will provide you with such merchandising, marketing and advertising research data and advice as may be developed by TXS and deemed by us to be helpful in the operation of your Franchised Business.

**7.8 Communications.** We will inform you of new developments, techniques and improvements of TXS in fitness equipment, products, packaging, service and management which are relevant to the operation of TXS facility.

**7.9 Marketing Plan.** We will provide you with one copy of the IM=X® Pilates Marketing Workbook.



**7.10 Internal Checklist.** We will provide you with one copy of the IM=X® Pilates Internal Checklist.

**7.11 Website and Email.** We will provide you with a web page and software to promote your Franchised Business. We will also provide you with an email account that you are required to use for your Franchised Business. If you are operating a medical center or fitness club and you already have a website then we will provide you with our prescribed images, logotype, and copy which you must display on one page. You are further required to have such graphics and information on your web page or website as we prescribe.

**7.12 Website Password.** We will provide you with a password-protected area of our website in order to obtain access to operational documents that you can download, and marketing documents that you can download. Additional information for operating your business will be posted in the password protected area. You agree not to share the password with anyone unless they are manager approved by TXS. Upon termination or expiration of this Agreement we will reset the password to your web pages and email account and assume sole control of them. In addition, we will provide you with a password to an Instructor's Portal area of our website in order to obtain training material such as videos and workout formats. You agree only to share the password with staff/instructors of your studio and the password will be periodically reset by TXS.

**7.13 Certifications.** If you own a Fitness Studio, at our option, we will send our Master Trainers on-site to conduct Certifications one time per year for up to five days for the first three years. Your Certification course date will be scheduled for the same month annually unless otherwise determined by us. We require at least six weeks' notice for booking specific course dates. Your Certification course dates will be published online, and you will be obligated to accept other franchise owner's staff for such certifications. You and your staff may also have the opportunity to attend certification courses held at our New York City Certification center, or at a franchised location.

## **ARTICLE 8**

### **TERM OF AGREEMENT AND RENEWAL**

**8.1 Term.** The initial term of this Agreement is 10 years from the date of execution. You must notify us 90-180 days before the end of the term of this Agreement to renew it. The renewal period shall be for one additional ten (10) year period. You must be in compliance with this Agreement, pay us a renewal fee of \$10,000 and sign our then-current franchise agreement to renew. We may agree to waive the renewal fee as we determine in our sole discretion. If you continue to operate past the end of the term of this Agreement, and we allow you to do so, it shall be considered a renewal of this Agreement and we may deduct your renewal fee by EFT. Upon any renewal, you expressly agree to the following:

**8.1.1** You shall add or replace equipment, fixtures, and signs and modify the Franchised Business and location to bring it into compliance with specifications and standards then applicable for our new franchises, including any applicable re-imaging;

**8.1.2** You will attend the Basic Certification for a second time to reaffirm knowledge of our formats/program; and may be required to attend or re-attend advanced courses as prescribed by us; and

**8.1.3** You and your owners shall execute a general release of all claims that you (and your owners) have or may have at that time against TXS, its officers, directors, agents, and employees in the form prescribed by TXS (subject to applicable state law).



**ARTICLE 9**  
**ASSIGNMENT: TRANSFER, REPURCHASE, AND MODIFICATION**

**9.1 Full Compliance.** Any purported assignment or transfer not in full compliance with this Article 9 shall be null and void and constitute a material breach of this Agreement.

**9.2 Current Standards on Transfer.** The purchaser or assignee will be required to update the Franchised Business to our then-current standards and will be required to fulfill our training and testing requirements at the assignee's or purchaser's expense for travel, lodging and meals. The new owners will be required to participate in our training and certification programs.

**9.3 Transfer and Assignment by Franchisee.** You shall not have the right to transfer or assign this Agreement without our express written approval. You shall not have the right to transfer or assign this Agreement prior to opening your Franchised Business. You acknowledge that we are entering into this Agreement in reliance upon and in consideration of your business skill, financial capacity and teaching qualifications. Any actual or intended assignment, transfer or sale made or accomplished in violation of the terms of this Article shall be null and void and shall constitute a material breach of this Agreement which may give rise to termination of this Agreement. No transfer is deemed valid unless the proposed assignee agrees in writing to comply with all the requirements of the franchise agreement then in effect. Unless approval is granted in writing by TXS, no transfer is deemed valid without the proper notification by you as set out herein. Our consent to a proposed assignment shall be conditioned upon the following requirements:

**9.3.1** The payment to us of a transfer fee of Twelve Thousand Dollars (\$12,000) paid by you or assignee and a transferee training fee of Four Thousand Dollars (\$4,000) paid by the assignee; and

**9.3.2** That you are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us or our affiliates; and

**9.3.3** Our receipt of required notification by you as required herein and any forms required by us that we are then using in evaluating prospective purchasers of new franchises; and

**9.3.4** Our approval of the proposed assignee and the meeting of minimum financial criteria by the proposed assignee within the standards that we are then applying in evaluating prospective purchasers of new franchises; and

**9.3.5** The proposed assignee, in our sole judgment, satisfies all of our requirements to operate the Franchised Business; and that the proposed assignee complete and be approved through our standard franchise application and selection process including satisfactorily demonstrating to us that the proposed assignee meets the financial, teaching ability, character, managerial, ownership and such other criteria; and

**9.3.6** That all of your accrued monetary obligations and all other outstanding obligations to us and our affiliates, whether arising under this Agreement or otherwise, have been satisfied; and payment of all taxes, debts and obligations owed to third parties which were incurred by you in connection with your franchise; and

**9.3.7** That you and each transferor execute a general release, in a form satisfactory to TXS, of all claims against TXS, its affiliates, and their respective officers, directors, agents, and employees, in their corporate and individual capacities (subject to applicable state law); and



**9.3.8** The proposed assignee's execution of the then-current franchise agreement; and

**9.3.9** The delivery of any information required by the rules and regulations of any franchise disclosure legislation to be delivered to the proposed assignee at least 10 days prior to any assignment; and

**9.3.10** The satisfactory completion, in our sole discretion, of the Basic Certification, and Business Training online modules at times determined by us; unless such trainings are waived by us in writing; and

**9.3.11** You or assignee's delivery to TXS, prior to execution, a copy of the contract conveying the Franchised Business to the assignee and TXS shall, in its reasonable judgment approve such transfer; and

**9.3.12.** Your delivery to TXS, prior to execution of any other documents provided to a potential transferee, including any financial statements; and

**9.3.13** Your reimbursement to us upon receipt of our invoice for any broker or other placement fees we incur as a result of the transfer.

**9.4 Continuing Liability.** In the event of a sale, transfer, or assignment of any interest in this Agreement or the Franchised Business, or if you are an entity, in the event of your merger, consolidation or reorganization, you shall remain personally liable for all Monthly Royalty Fees, Brand Fund Contribution, and other payments which come due under this Agreement for two consecutive months beginning on the execution date or proposed assignee's franchise agreement with TXS.

**9.5 Acquisition of Additional Franchise.** In addition, you agree that, prior to acquiring any other TXS franchise which may be offered to you for sale or which you may offer to purchase, such franchise will first be offered to TXS on the same terms, conditions and price in accordance with Section 22.3 herein.

**9.6 Transfer Due to Death or Incapacity.** If a transfer or assignment is necessary as a result of your death or legal incapacity or permanent disability or that of the operating principal, such a transfer or assignment shall not constitute an assignment requiring payment of a transfer fee, so long as the person designated by your heirs, legatees, personal representative, conservator or guardian, as applicable:

**9.6.1** Applies in writing to TXS within 90 days after your death or legal incapacity or permanent disability to obtain TXS' approval to transfer the Franchised Business, or the interest of the deceased or disabled shareholder, if the Franchised Business is held by a corporation; and

**9.6.2** Meets TXS' standard for new franchisees; and

**9.6.3** Agrees to be bound by the terms and conditions of the franchise agreement then in effect between TXS and you; and

**9.6.4** Executes a consent to be so bound; and

**9.6.5** Satisfactorily completes TXS' then-current training requirements.

In the event of your death or legal incapacity or permanent disability or that of the operating principal and a transfer or assignment of your interests in this Agreement or in the Franchised Business, TXS may, at its sole discretion, assume the operation of the Franchised Business pending the transfer or assignment.



**9.7 No Waiver.** Our consent to a transfer shall not constitute a waiver of any claims we may have against the transferring party, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

**9.8 Assignment by Franchisor.** This Agreement may be assigned or transferred in whole or in part by us without your consent or prior approval and such assignment shall not modify or diminish your obligations hereunder.

**9.9 Organization of Franchisee.** If you desire to assign this Agreement to a corporation controlled by you, we will grant you consent, provided:

**9.9.1** You are, and covenant to remain, the owner of 100 percent of the voting stock of the corporation or, if you are more than one individual, each individual shall have the same proportionate ownership interest in the corporation as that individual had in the Franchised Business prior to that transfer; and

**9.9.2** All corporate documents reasonably required by TXS are provided to TXS prior to the transfer; and

**9.9.3** You or another qualified individual is designated “operating principal” in accordance with Article 6 of this Agreement hereof; and

**9.9.4** You and all the owners of the assignee entity personally guarantee the obligations to be performed under this Agreement by the franchisee corporation in the form attached as Schedule 3 to this Agreement.

**9.10 Reasonableness.** We will not unreasonably withhold approval of a proposed transfer, and you shall have the sole burden of proving that TXS acted unreasonably.

## **ARTICLE 10**

### **DEFAULT AND EFFECT OF TERMINATION**

**10.1 Franchisor’s Termination Rights With Notice and an Opportunity to Cure.** We may terminate this Agreement if you do not cure any of the following after we provide to you notice and a 30 day opportunity to cure, or such lesser time as is stated below:

**10.1.1** Default by you of any provision of this Agreement or under any other agreement between you and us not subject to earlier termination.

**10.1.2** Any purported assignment, transfer, or sublicense of the Franchised Business, or any right hereunder without our prior written consent.

**10.1.3** Operating the Franchised Business from a location other than the location address approved by us.

**10.1.4** Failure to pass our Certifications or Business Training Course or to open the Franchised Business within the scheduled time (see Articles 4 and 6).



**10.1.5** Failure to use our business model as prescribed in our Business Training Course or failure to use our training techniques and workouts as prescribed in our certifications as required by us; or failure to attend Review Sessions and Advanced Courses as may be required by us.

**10.1.6** Failure to use our prescribed marketing program to reach our required membership quotas. Failure to engage with our preferred marketing vendors to complete your marketing plan or distributing marketing materials or content for use by any other non-approved marketing vendor.

**10.1.7** Failure to open the Franchised Business within 12 months after signing this Agreement.

**10.1.8** After one year in operation, failure to sell Private Training and Elite Training Memberships at an amount of no less than 10% of your total revenue.

**10.1.9** Failure to pay for or allow us to conduct any audit as required by this Agreement.

**10.1.10** Failure to procure or maintain the required liability insurance from our preferred vendor, naming us as additional insureds as required by this Agreement.

**10.1.11** Failure, refusal or neglect to obtain our prior written consent or approval any time such approval is required by this Agreement.

**10.1.12** Failure, refusal or neglect to send us your monthly report and bank statements on a monthly basis or your annual tax return.

We reserve the right to withhold providing any and all services to you if you are in default of any provision of this Agreement.

**10.2 Franchisor's Termination Rights Without the Opportunity to Cure.** We have the right to terminate this Agreement upon notice to you without an opportunity to cure for any of the following defaults:

**10.2.1** You or any of your owners become insolvent, meaning unable to pay bills as they become due in the ordinary course;

**10.2.2** You abandon your franchise by failing to operate the business for five consecutive days without prior written consent by us; or as a Fitness Studio you fail to increase your weekly class schedule to over 40 classes within your first year. The Franchised Business shall not be deemed abandoned if the cessation is due to circumstances beyond your control, such as fire, flood, earthquake or other similar cause;

**10.2.3** You maintain false books or records and/or submit false or fraudulent reports, or accept any payment amount through any alternative payment gateway other than our Designated Software;

**10.2.4** You make any material misrepresentations relating to the acquisition or operation of the Franchised Business or you engage in conduct which reflects materially and unfavorably upon the operation and reputation or the Franchise System;

**10.2.5** You fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operations of the Franchised Business;



**10.2.6** You fail, for a period of 10 days after notification of noncompliance, to pay monies owed by you to us or to send in your bank statements and tax returns as required.

**10.2.7** You breach any aspect of this Agreement more than three times during the Term or two times in a 12 month period;

**10.2.8** You are convicted of a felony or any other criminal misconduct which is relevant to the operation of the franchise;

**10.2.9** You fail to fully record your revenue in our Designated Software (currently MBO);

**10.2.10** TXS receives an excessive amount of customer complaints against the Franchised Business or you and an investigation by TXS determines these complaints to be warranted; or

**10.2.11** You sell certifications to non-franchise staff or employees, without our express written consent.

**10.3 Our Pre-termination Rights.** We reserve the right to withhold providing any and all services to you if you are in default of any provision of this Agreement, including specifically but without limitation staff certifications, review sessions, Practical Exams, replacement equipment parts and any business and marketing support including web hosting. Such services may be withheld until you cure said defaults, notwithstanding the fact that the right to cure these defaults does not restrict our ability to file any legal action deemed appropriate for these defaults. Furthermore, while you are in default, we have the right to alter or reduce the boundaries of your Territory, which changes may remain in effect for the remainder of your Term.

**10.4 Obligations of Franchisee after Termination.** In the event of expiration or termination of this Agreement for any reason, you lose all rights to use our proprietary equipment, programs including our Pilates, back exercise, cycle, barre, services or similar Pilates and exercise services, our Marks, trade name, copyrights, programs, manuals, patented equipment, displays, marketing materials, telephone numbers or any other property connected with the Franchised Business, and:

**10.4.1** You must immediately cease use of our trade names, exercise programs, service marks, trademarks, manuals and other proprietary property. You must deliver the original and all copies of our Franchise Operations Manual, all other manuals, and all other proprietary printed material, including membership lists or leads, to us.

**10.4.2** Any termination pursuant to Article 10 herein results in the forfeiture of the equipment. Upon our request you must deliver to us within 30 days of expiration or termination at an address we designate, at your expense, any and all Xercizers in your possession, custody or control.

**10.4.3** You must pay all past due amounts owed to us pursuant to this Agreement. TXS shall be entitled to recover these amounts by electronic debit of your bank account.

**10.4.4** You shall pay us liquidated damages, calculated by multiplying the average monthly Royalty Fee payable by your franchise multiplied by the number of months remaining in your Franchise Agreement plus the legal fees we incur to enforce this provision. We may recover these monies by electronic funds transfer from your bank account 15 days after termination. This liquidated damages provision is intended to compensate TXS for damages sustained by reason of the loss of the Monthly Royalty Fees. It is not intended to, and does not, replace or waive TXS' ability to recover other damages



arising from the termination of this Agreement, including damages to TXS' reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Monthly Royalty Fee section. It also is not intended to, and does not, replace or waive TXS' right to recover legal and other expenses to collect unpaid amounts, enforce post-termination covenants and defend our Marks in the event of termination. TXS expressly reserves its rights to assert such claims and recover such damages, if applicable.

**10.4.5** You shall satisfactorily resolve all customer disputes or reimburse TXS or any franchisee who does so for the reasonable costs of such services.

**10.4.6** You shall not duplicate any membership lists or leads, past or present, used in any manner with the Franchised Business, and after deliverance of said materials to TXS, you shall destroy all copies of membership lists and leads from the Franchised Business.

**10.5 Execution of Documents.** TXS may, if you fail or refuse to do so, execute in your name and on your behalf, all documents necessary to effect your obligations under Article 10 and you irrevocably appoint TXS and TXS' attorney-in-fact to do so.

## **ARTICLE 11**

### **ACCOUNTING PROCEDURES; RIGHT OF AUDIT**

**11.1 Accounting.** You agree to keep accurate and complete records of your Franchised Business in such form as we now or hereafter may require including recording all of your sales in the software and furnishing us with monthly reports and bank statements. In addition, you shall retain, for a period of at least 24 months and submit to us, copies of all state sales tax returns and all supporting data and records relating to sales made at or from your franchise in states where applicable. Your failure to submit to TXS the financial information described in this Article shall be a material breach and default of this Agreement.

**11.2 Monthly Statements.** You shall record all of your service and product sales in the software provided by us (currently "MBO") and generate monthly Sales reports. You shall provide us with access to any third-party sales processing reports and dashboards, including, but not limited to Classpass, Groupon, Gympass, etc. You may not use any other payment processors, including merchant accounts, Zelle, PayPal, Venmo, or other similar peer-to-peer applications. To do so is a material breach of this Agreement and may result in termination. Monthly sales reports should be generated to include all revenue from the prior month, including all revenue generated from gift cards, retail, and all proceeds from any business interruption insurance, whether that revenue was received in the form of cash, check, credit, charge, account, barter or exchange. The Monthly Royalty Fee is due monthly and will begin on the first calendar month after you begin selling services to clients (regardless of the day you open). You must record all of your membership services and sessions including, home, virtual, workshops, private, duet training, semi-private and group training, retail sales, and any other income or deposits made to your account (including but not limited to rental income, subleases, retail products, practical exam fees and other training material for staff, etc.).

Any payments made "On Account," or any comp/guest or barter items will be considered cash revenue, with the exception of Free Introductory Sessions and Free Week specials, which should be limited to one per customer, for new clients only.

Please note that we do not provide monthly invoices for Monthly Royalty Fees as it is your responsibility to provide these reports. In addition, you are required to provide us with your monthly



business bank statement. Failure to accurately record and report your revenue shall be considered a material breach and default of this Agreement.

**11.3 Annual Financial Statements.** Your fiscal year shall begin on January 1 and end on December 31 of each year. By April 15<sup>th</sup> of each fiscal year, you shall submit a full disclosure of all persons with any interest in your franchise and a complete annual financial statement for your Franchised Business, which statement, if requested by TXS, shall be certified by a certified public accountant.

**11.4 Audits.** You agree that we or our representatives shall, at all reasonable times, have the right to examine or audit your books, records, state sales tax or accounts of your franchise. We shall similarly have the right to examine or audit the books, records, state sales tax return where applicable, business bank account, any account shown on statements, or accounts of all persons or entities who are guarantors of your performance under this Agreement.

In the event an audit is deemed necessary by us due to your failure to provide us with any required statements or reports, or if any audit of your books and records shall reveal that you have understated any amount or payment to us by 2 percent or more, then you shall, when billed: (a) pay to us any understated amount together with interest thereon as described in Section 5.7 above, and (b) reimburse us for all costs we incur related to such audit, including, but not limited to, legal and accounting fees related to the audit as well as travel and living expenses of the auditor(s). All fees including audit and legal fees incurred will be automatically debited from your bank account. These rights and remedies shall be in addition to all other rights and remedies allowed to us by this Agreement or applicable law.

**11.5 Tax Returns.** Annually within 120 days after the close of your fiscal year, you are required to submit to us a copy of your federal and state tax returns and all amendments thereto prepared for your Franchised Business and a letter from or your accountant stating as applicable whether or not (1) all payroll tax returns have been filed and paid to the end of the fiscal period, (2) all federal income tax returns have been filed and paid, and (3) all state income tax returns have been filed and any payments due have been paid.

**11.6 Confidentiality.** TXS agrees that financial information submitted by you is confidential and shall not be disclosed to any third party without protecting your identity unless you consent in advance to the disclosure, except as may be required in response to lawful judicial process or in response to any governmental investigation.

**11.7 Membership Information.** You agree that we are the owners of all customer and membership information and data as to individuals who have patronized your Franchised Business. At no time, may you use (except to carry out your duties under this Agreement), divulge, transfer, or distribute the Membership Lists without the prior written consent of TXS.

## **ARTICLE 12**

### **UNFAIR COMPETITION**

You acknowledge the uniqueness of the IM=X<sup>®</sup> programs and that TXS is making its knowledge, trade secrets, proprietary equipment and workout systems, copyrighted certification programs and expertise available to you for the purpose of operating the Franchised Business. You agree that it would be an unfair method of competition for you to use or duplicate these trade secrets or any images associated with our tradename or to allow others to use or duplicate any of our trade secrets, images, or any of the program



knowledge and expertise received from TXS for any use other than for the operation of the Franchised Business.

You, therefore, warrant that during the Term of this Agreement, you will utilize the IM=X<sup>®</sup> equipment, trade name and trade secrets, use your best and continuing effort to promote and develop the business at the Franchised Business. During the Term hereof and at all times thereafter anywhere in the world, you will not directly or indirectly engage in the operation of any facility or use any of our proprietary information or our proprietary training programs or services or adaptations thereof, other than in the operation of the Franchised Business. You acknowledge that you cannot claim to be offering a different pilates or back exercise program. You further acknowledge that the certifications imparted to you and your staff included our proprietary program information and may not be duplicated in part or in whole.

You understand and acknowledge that we shall have the right, in our sole discretion, to reduce the scope of any covenant set forth in Article 20 of this Agreement, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree to comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Article 23 hereof.

### **ARTICLE 13** **RIGHT OF OFFSET**

Intentionally deleted.

### **ARTICLE 14** **INDEMNIFICATION**

You shall indemnify and save us harmless from and against all costs, damages, expenses, claims and other losses and liabilities, in tort or contract, including reasonable legal and accounting fees, incurred directly or indirectly out of or in connection with, or alleged to have been caused by, the operation of your Franchised Business or arising or alleged to have arisen against you, including all costs incurred as a result of claims or suits against arising there from, including claims based on your installation and use of cameras in accordance with Section 6.11 above, unless such claim is due to our negligence or willful act. We may take steps we deem necessary to protect ourselves from such claims or suits, and you shall reimburse us for all expenses incurred in connection therewith, including reasonable attorney fees, within 10 days of the date of an invoice from us to you for such expense.

Further, you shall indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for by reason of: (a) your failure to pay the monies payable (to us or any of our affiliates) pursuant to this Agreement, or to do and perform any other act, matter, or thing required by this Agreement; or (b) any action by us to obtain performance by you of any act, matter, or thing required by this Agreement.

### **ARTICLE 15** **NOTICES**

All notices required to be given under this Agreement will be given in writing by hand delivery, by certified mail with return receipt requested or by express mail or overnight delivery service providing



documentation of receipt at the address set forth below the signature of the party to whom notice is to be given, and or at such other addresses as such party may designate from time to time; and will be effectively given when deposited in the United States mails, postage prepaid, or when received by hand delivery or via overnight delivery, as may be applicable. If notice is attempted to be given to a party in any manner other than as provided in this Section, such notice will be effectively given only upon actual receipt by that party.

## **ARTICLE 16**

### **INDEPENDENT CONTRACTOR**

**16.1 Franchisee is an Independent Contractor.** Nothing in this Agreement constitutes you as our agent, legal representative, subsidiary, joint venture, fiduciary partner, employee or servant for any purpose whatsoever. You are an independent contractor and are in no way authorized by this Agreement to make any contract, warranty or representation, or to create any obligation, express or implied on behalf of or in the name of us. Your employees are your responsibility and not ours.

**16.2 Franchisee Disclosure of Independence.** In all of your dealings with third parties, including customers, employees and suppliers, you shall disclose in an appropriate manner that you are an independent entity. This agreement does not create a relationship of fiduciary standards or of special trust or confidence.

**16.3 Third Parties.** The parties intend to confer no benefit or right on any person or entity not a party to this Agreement and no third party shall have the right to claim the benefit of any provision hereof as a third party beneficiary of any such provision.

## **ARTICLE 17**

### **RESOLUTION OF DISPUTES**

**17.1 Choice of Law.** This Agreement is effective upon its acceptance in Connecticut by our authorized officer. Except as to claims governed by federal law, Connecticut law governs all claims that in any way relate to or arise out of this Agreement or any of the dealings of the parties (“Claims”). However, no laws regulating the sale of franchises or governing the relationship between Franchisor and Franchisee shall apply unless the jurisdictional requirements of such laws are met independently of this Section.

**17.2 Jurisdiction and Venue.** You and we agree that venue and jurisdiction for any Claims shall be proper solely in the state and federal court nearest to our corporate headquarters, presently located in Clinton, Connecticut.

**17.3 Jury Waiver.** In any trial between any of the parties as to any Claims, you and we agree to waive our rights to a jury trial and instead have such action tried by a judge.

**17.4 Class Action Waiver.** You agree to bring any Claims, if at all, individually and you shall not join such claim with claims of any other person or entity or bring, join or participate in a class action against us.

**17.5 Punitive Damages Waiver.** As to any Claims, you and we agree to waive our rights, if any, to seek or recover punitive damages.



**17.6 Limitation of Actions.** You agree to bring any Claims against us, if at all, within one year of the occurrence of the facts giving rise to such Claims, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off.

**17.7 Prior Notice of Claims.** As a condition precedent to commencing an action for a Claim, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

**17.8 Internal Dispute Resolution.** You must first bring any Claim to our CEO, after providing notice as set forth in Section 17.7 above. You must exhaust this internal dispute resolution procedure before you may bring your Claim before a third party.

**17.9 Mediation.** Before you may bring any claim against us in court or proceed to mediation, you must first contact our current CEO and try to resolve your claim. If you are unable to resolve your claim through direct discussions with the CEO, before you may bring any claim against us in court, you must try for a period of 60 days to mediate such claim before a mutually agreed to mediator in the city or county where our headquarters are located. If we cannot mutually agree on a mediator, you and we agree to use the mediation services of the American Arbitration Association (“AAA”) and split any AAA and mediator fees equally.

**17.10 Waiver of Bond.** You agree that if we are forced to bring suit to enforce any provision of this Agreement, you agree to waive any requirement that we post bond to obtain a temporary, preliminary, or permanent injunction to enforce these duties.

**17.11 Attorney Fees; Interest.** The prevailing party in any action arising out of, or related to, this Agreement (including an action to compel arbitration) is entitled to recover from the other party all amounts due and all damages, all of its reasonable costs and expenses related to the action, including reasonable attorneys’ fees, and all costs of collecting monies owed, plus interest as set forth in Section 5.7 above. This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement. If both parties are awarded a judgment in any dollar amount, the court or arbitrator, as applicable, shall determine the prevailing party taking into consideration the merits of the claims asserted by each party, the amount of the judgment received by each party, and the relative equities between the parties.

**17.12 Third Party Beneficiaries.** Our officers, directors, members, shareholders, agents, and employees are express third party beneficiaries of the terms of the Governing Law provisions contained herein.

**17.13 Survival.** All of the covenants contained in this Agreement that may require performance after the termination or expirations of this Agreement will survive any termination or expiration of this Agreement.

## **ARTICLE 18**

### **GOVERNING LAW AND PUBLIC POLICY CHANGES**

This Agreement shall be governed by and construed in accordance with the internal laws of the State of Connecticut however, if this Agreement concerns a Franchisee located in a state other than such state and the laws of that state require terms other than those or in addition to those contained herein, than this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof; the imposition



of fines or penalties, or the creation of civil or criminal liability on account thereof. To the extent permitted by applicable law, you waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

## **ARTICLE 19** **SEVERABILITY**

If this Agreement is held to violate any law, regulation or ordinance of the United States, any country, any state or any municipality, the relevant portion is severable, and the balance of this Agreement shall be enforced as if such provision had not been included herein.

## **ARTICLE 20** **RESTRICTIVE COVENANTS**

**20.1 Manuals and Course Materials are Confidential Information.** You acknowledge that all of the IM=X® certification and business manuals, online movie files and password protected information provided by us are confidential, proprietary trade secrets, and you do not acquire any right, title or interest in our manuals (“Confidential Information”). The Franchise Operations Manual, certification course manuals and online presentations plus movie files contain confidential trade secrets that are proprietary to TXS and are to be used only in connection with the operation of the Franchised Business and other franchised TXS facilities.

You acknowledge and agree that prompt adoption of and adherence to our comprehensive facility format and operating system, including a standardized design, décor, equipment, color scheme, style of building, staff certification process, and signage, uniform standards, specification and procedures of operation, quality and uniformity of product and services offered and the provisions of the Franchise Operations Manual, as amended, are reasonable, necessary and essential to the image and success of all TXS Franchises. The Franchise Operations Manual shall be kept at the Franchised Business at all times and all changes or additions made by TXS shall be inserted upon receipt.

During the Term of this Agreement or any time thereafter, you shall not communicate, divulge or use for yourself or for the benefit of any other person, persons, partnership, association, corporation or entity any Confidential Information knowledge, trade secrets or know-how concerning TXS’ certification and training manuals and the Franchised Business. You shall not operate our proprietary certification process for profit without our express written permission nor use our trade name or patented equipment. You acknowledge that our proprietary certifications, trade secrets and trade name are for the growth of franchise owner’s staff and not for sale or for the benefit of any non-franchise staff member. A violation of this privilege shall be considered a material breach of this Agreement.

Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney and for use of the Confidential Information in such court proceeding, so long as any document containing the



Confidential Information is filed under seal and Confidential Information is not otherwise disclosed except pursuant to court order.

## 20.2 Covenants Not to Compete.

(a) Restriction – In Term. During the term of this Agreement, neither You, any owner, nor any spouse of an owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any business which provides fitness classes in the United States.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any business which provides fitness classes within 25 miles of your Territory or within 25 miles of the territory of any other IMX Pilates franchisee’s business operating on the date of expiration, termination, or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the Franchisor’s legitimate business. If all or any portion of a covenant in this Section 20.2 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which we are a party, you expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 20.2. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

(d) Non-Compliance. If you or any Restricted Party violates the non-compete, you agree to pay us liquidated damages, calculated by multiplying the average monthly Royalty Fee payable by your franchise multiplied by the number of months (as may be appropriately pro-rated) that you or any Restricted Party have violated the Covenant Not to Compete plus any legal fees TXS incurs to enforce this provision. Upon our determination that you or any Restricted Party has violated the Covenant Not to Compete, we may recover these monies by electronic funds transfer from your bank account or otherwise. This liquidated damages provision is intended to compensate TXS only for lost profits because of your breach of the Covenant Not to Compete, which lost profits the parties recognize are difficult to ascertain and for which injunctive relief is not a sufficient alternative. This liquidated damages provision is not intended to, and does not, replace or waive TXS’ ability to recover other damages arising from the termination of this Agreement or seek an injunction for trademark, copyright or other violations as set forth herein or permitted by applicable law without the need to post bond.

Indeed, you acknowledge and agree that the damage caused to our trade name and trade secrets by your violation of this Section shall constitute irreparable injury to us and accordingly, acknowledge and agree that we may enforce this Section by applying for a temporary restraining order, temporary or permanent injunction and any such other legal or equitable relief as may be appropriate, without the need to post bond.

**20.3 Injunctive Relief.** You recognize the unique value and secondary meaning attached to our franchise business system, our trade names, our service marks, trademarks, logotypes, commercial symbols,



standards of operation, and the trade practices and agree that any noncompliance with the terms of this Agreement or any unauthorized or improper use will cause irreparable damage to us and our franchisees. You therefore agree that if you should engage in any such unauthorized or improper use, during or after the period of this franchise, we shall be entitled to apply for both permanent and temporary injunctive relief in addition to any other remedies prescribed by law. You agree to waive our posting of bond on any temporary or permanent injunction we may obtain against you.

**20.4 No Defense.** Franchisee expressly agrees that the existence of any claims Franchisee may have against TXS, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by TXS, of the covenants in this Section 20.

## **ARTICLE 21**

### **SUCCESSION OF BENEFITS**

In the event that you should become deceased or incapacitated, the provisions of this Agreement shall inure to the benefit of and be binding upon the parties thereto, their heirs, executors, administrators and assignees. The transferee must assume your obligations under this Agreement and meet our standards.

## **ARTICLE 22**

### **MISCELLANEOUS: GENERAL CONDITIONS**

**22.1 Attorney Fees.** If it becomes necessary for TXS to engage the services of an attorney in order to defend any claim made or action brought by any third party as a result of your action or inaction under this Agreement, TXS is entitled to indemnification from you and is entitled to recover reasonable attorney fees, court costs and expenses from you. TXS shall have the right to use your EFT debit for attorney's fees that are due from a termination which was your cause.

**22.2 Notice of Default as Required by Law.** Notwithstanding anything to the contrary contained in this Section, if applicable law or regulation limits TXS' rights to terminate or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. TXS shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing, or dispute relating to this Agreement or the termination thereof.

**22.3 Right of First Refusal.** You may not sell or assign the Franchised Business to any person without first offering the same for a period of 30 days to us in writing at a price and upon terms no less favorable than those which you are willing or required to accept from a third party, as evidenced by a bona fide written offer received from a third party by you or by any other document requiring you to sell or assign the Franchised Business, which shall be attached to your offer to us. This Section 22.3 shall not apply to a qualified spouse or child, as determined by us in our sole discretion. Any attempt to transfer the assets of the Franchised Business without assigning the Agreement to the potential purchaser shall constitute a default and a breach of this Agreement. The purchase price is determined by the amount of the bona fide offer from a third party in the event of a sale or transfer. Such repurchase price will recognize goodwill and other intangibles associated with the normal sale of a going business if same is included in the bona fide offer of a third party.

On any termination due to your default or breach of the Agreement or an attempted cancellation by you, we shall have the right, at our option, for 30 days after such termination, to purchase your interest in



all or a portion of your equipment, inventory, supplies or fixtures at a purchase price equal to the fair market value of such items. If the parties do not agree to any such purchase price within such 30 day period, such prices shall be set by an independent appraiser designated by us.

**22.4 Construction and Interpretation.** The Introduction and Recitals shall be considered a part of this Agreement.

**22.5 Reasonable Business Judgment.** Reasonable Business Judgment (as defined herein) shall be applied in all circumstances involving or requiring TXS' approval or consent, unless provided otherwise in the Agreement. Reasonable Business Judgment means that TXS' determinations or choices shall prevail, even if other alternatives are also reasonable or arguably preferable, if TXS intends to benefit or is acting in a way that could benefit the Franchised Business by, for example, enhancing the value of the Marks, increasing customer satisfaction, minimizing possible customer confusion as the Marks or location, or increasing the financial strength of TXS. Except where otherwise indicated in this Agreement, TXS agrees to use Reasonable Business Judgment when discharging its obligations and exercising its rights and discretion.

**22.6 Operation in the Event of Absence or Disability.** In order to prevent any interruption of the Franchised Business operations, you authorize TXS, at its option, if you are absent for any reason or are incapacitated by reason of illness and are unable, in the sole and reasonable judgment of TXS, to operate the Franchised Business for so long as TXS deems necessary and practical, and without waiver of any other rights or remedies TXS may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by TXS shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for TXS' representative, shall be charged to said account. If, as herein provided, TXS temporarily operates the franchise herein for you, you agree to indemnify and hold harmless TXS and any representative of TXS who may act hereunder, from any and all acts which TXS may perform, as regards the interests of you or third parties.

**22.7 Cause for Step-In.** If TXS determines in its sole judgment that the operation of your Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize TXS to operate your Franchised Business for as long as TXS deems necessary and practical, and without waiver of any other rights or remedies which TXS may have under this Agreement. In the sole judgment of TXS, TXS may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against the Franchised Business; or TXS determines that operational problems require that TXS operate your Franchised Business for a period of time that TXS determines, in its sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

**22.8 Step-In Rights – Duties of Parties.** TXS shall keep in a separate account all monies generated by the operation of your Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives. In the event of the exercise of the Step-In Rights by TXS, you agree to hold harmless TXS and its representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of our Step-In Rights.



**ARTICLE 23**  
**ENTIRE AGREEMENT**

**23.1 Acknowledgments.** You acknowledge that TXS and its subsidiaries and affiliates have certain rights reserved to them to grant licenses and rights to others, which may or may not be similar to the license and rights conveyed hereunder; to market TXS – approved products; and to otherwise use the Marks and program as set forth in this Agreement. You acknowledge that you have had the opportunity to independently investigate, analyze and construe both the business opportunity being offered hereunder and the terms and provisions of this Agreement yourself, utilizing the services of such independent attorneys, accountants, or other advisors as you so elect. You acknowledge that, except as may be stated in Item 19 of the FDD, no representation or statement has been made by TXS or any employee, agent or salesman thereof and relied upon by you regarding the future growth of TXS’ franchise business, your anticipated income, earnings and growth, or the viability of the business opportunity conveyed.

**23.2 Entire Agreement.** This Agreement constitutes the entire agreement of the parties into which all prior negotiations, commitments, representations and undertakings and no modification or termination of this Agreement shall be binding unless executed in writing by all parties hereto; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by TXS in the FDD that was furnished to you by TXS. Except for the covenants set forth in Article 20 hereof, no amendment, change, or variance from this Agreement shall be binding on either party unless executed in writing.

The parties have executed this Agreement to be made effective as of the date:

\_\_\_\_\_

**TXS:**

**FRANCHISEE:**

**THE XERCIZE STUDIO, LLC**  
**d/b/a IM=X Pilates and Fitness**

\_\_\_\_\_  
Company Name

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

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

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

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

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

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

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

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

Notice Address: 24 West Main Street, #211  
Clinton, Connecticut 06413

\_\_\_\_\_  
Individually

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

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

Notice Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



**ADDENDUM TO THE XERCIZE STUDIO, LLC  
FRANCHISE AGREEMENT**

This is an Addendum to the Franchise Agreement dated as of the date set forth below (the “**Agreement**”), by and between THE XERCIZE STUDIO, LLC (“**TXS**”), and the undersigned franchisee (the “**Franchisee**”). This Addendum supplements the terms of the Agreement, and in the event of a conflict in terms between the Agreement and this Addendum, the terms of this Addendum will be controlling.

The parties agree as follows:

1. Type of Studio. The type of Studio to be acquired by Franchisee, as referenced in Section 1.1 of the Agreement, is:

a Fitness Studio

a Personal Training Studio

2. Territory. The Territory, referenced in Section 2.2 of the Agreement, will be the geographic area described as: \_\_\_\_\_

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

The description representing the boundaries set forth above are identified as of the date of this Agreement. The map of the Territory is attached as Schedule 1-A below.

3. Trade Name. The initial trade name Franchisee is permitted to use is “IM=X<sup>®</sup> Pilates & Fitness \_\_\_\_\_”.

4. Multi-Pack. Franchisee is acquiring multiple units pursuant to Section 5.1 for the Fitness Studio or Personal Training Studio model:

No, this is the grant of a **single location** for a  **Fitness Studio**  **Personal Training Studio**

Franchisee is developing multiple Fitness Studios:  Multi-2  Multi-3  Multi-4

Franchisee is developing multiple Personal Training Studios:  Multi-2  Multi-3  Multi-4

This Agreement is No. \_\_\_\_ of \_\_\_\_.

5. Initial Franchise Fee. The initial franchise fee, referenced in Section 5.1 of the Agreement, will be \$\_\_\_\_\_, payable in full in cash unless otherwise noted below:

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

6. Additional Terms:

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



**TXS:**

**THE XERCIZE STUDIO, LLC**  
**d/b/a IM=X Pilates and Fitness**

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_  
Company Name

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

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

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

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



**SCHEDULE 1-A  
MAP OF TERRITORY**

[INSERT MAP OF PROTECTED TERRITORY]

**SCHEDULE 2- NON-COMPETITION AGREEMENT  
FRANCHISEE’S EMPLOYEES**

This agreement must be signed by all employees and sub-contractors who are working at your IM=X<sup>®</sup> Pilates Fitness Studio or Personal Training Studio franchise. (You must supply a copy of this agreement to The Xercize Studio, LLC).

This AGREEMENT is made and entered into this day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, the “Franchisee”); \_\_\_\_\_, a corporation; and \_\_\_\_\_ (“Employee”).

WITNESSETH

WHEREAS, The Xercize Studio, LLC (hereinafter the “Franchisor”) and Franchisee have entered into a franchise agreement dated \_\_\_\_\_, 20\_\_\_\_, (the “Franchise Agreement”), pursuant to which Franchisee shall receive access to Confidential Information as defined in the Franchise Agreement and trade secrets of the Franchisor which Franchisee may, in certain instances, need to convey to Employee, in order to operate its \_\_\_\_\_ (“IM=X<sup>®</sup> Pilates Fitness Studio or Personal Training Studio”); and

WHEREAS, Franchisor and Franchisee desire to protect said Confidential Information and trade secrets from disclosure and unauthorized use by the Employee; and

WHEREAS, Franchisor and Franchisee have agreed in writing on the Franchised Business’ protected territory (“Territory”) and the privileges of protection within that Territory only. Such Territory as agreed by Franchisor and Franchisee shall include the following description:

\_\_\_\_\_.

NOW, THEREFORE, in consideration of the employment of Employee by Franchisee and the mutual promises and covenants herein contained, and other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

A. Covenant Not to Compete.

Employee specifically acknowledges that due to its employment by Franchisee, Employee will receive valuable, specialized training and Confidential Information regarding operational, sales, and marketing methods and techniques of Franchisor and its unique pilates, back wellness, cycle and barre exercise system. Employee covenants that during the term of his employment and subject to the post-termination provisions contained herein, except as otherwise approved in writing by Franchisor, (including but not limited to, if the Employee is purchasing an IM=X<sup>®</sup> Studio Franchise), Employee shall not, within 25 miles of the Territory or within 25 miles of the territory of any other IMX Pilates franchisee, either directly or indirectly:

1. Divert or attempt to divert any business, customer, or employees of the Franchisor or Franchisee to any competitor, by direct or indirect inducement or otherwise, or do or perform directly or indirectly any act injurious or prejudicial to the goodwill associated with Franchisor’s Proprietary Marks and System.

2. Employ or seek to employ any person who is at that time employed by Franchisor or Franchisee, by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.



3. Own, maintain, engage in, be employed by, advise, assist, invest in, franchise, or have any interest in any business which has a pilates program of any kind within the Territory of any Fitness Studio or Personal Training Studio operated under the System as that term is defined in the Franchise Agreement.

Employee covenants that, except as otherwise approved in writing by Franchisor (including, but not limited to, if the Employee is purchasing an IM=X<sup>®</sup> Studio franchise), Employee shall not, for a continuous uninterrupted period commencing upon the expiration or termination of his/her employment with Franchisee, regardless of the cause for termination, and continuing for two years thereafter, either directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, persons, partnerships, or corporation, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that is the same as or substantially similar to that of the Franchisor or Franchisee and that is located within 25 miles of the Franchisee's Territory, or 25 miles of any Fitness Studio or Personal Training Studio operated under the System as that term is defined in the Franchise Agreement that is in existence on the date of termination of Employee's employment relationship with Franchisee. Employee acknowledges and agrees that these covenants will survive the termination of his or her employment.

#### B. Nondisclosure and Confidentiality

1. Franchisor and Franchisee may make available to Employee certain proprietary certification programs, copyrighted certification manuals, fitness training techniques, and information pertinent to the services offered by the Franchisee pursuant to the Franchisor's System and Proprietary Marks. Franchisor provides extensive instructor certification programs, including the following IM=X proprietary courses: Basic, Advanced, Super Advanced, Wall Tower, Platform, Barre and Cycle/Tower.

2. Employee acknowledges and agrees that all certification materials and other proprietary materials and information shall be used solely for the purposes of conducting his duties as an employee of the Franchise System unless the Employee purchases an IM=X<sup>®</sup> Studio franchise from Franchisor.

3. Employee agrees to hold in strict trust and confidence all knowledge, training skills, certification materials and other proprietary information gained through the IM=X<sup>®</sup> Pilates education program that the Franchisor or Franchisee furnishes or otherwise makes available to Employee. Employee further agrees that once he/she has taken Franchisor's proprietary certification programs, Employee cannot claim that he/she teaches other forms of Pilates nor may Employee in any way diminish the knowledge that was provided to him/her under this strict confidentiality covenant.

4. Neither the Employee nor his/her relatives, agents, or representatives will use such materials or information for any purpose other than stated herein and shall not copy, reproduce, sell, reveal, or otherwise disclose any such materials and information to any persons or parties.

5. Employee shall not be subject to the restrictions imposed herein with respect to any information or data obtained by it from the Franchisor or Franchisee during his employment with Franchisee if the information or data:

(a) was known to the Employee or has been independently developed by the Employee at the time of the receipt of the proprietary materials and information thereof from the Franchisor or Franchisee; or



(b) was or hereafter is obtained by Employee from another source; however, the burden of proof shall rest on the Employee to demonstrate that such information or materials were not provided by the Franchisor or Franchisee.

C. Not an Employment Agreement

Employee is being employed by Franchisee under separate arrangements that form no part of this Agreement. Franchisee is not obligated by this Agreement to continue to employ Employee for any particular time period, or under any specific terms or conditions. This Agreement does not create an employment relationship between Franchisor and Employee.

D. Severability

The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section are held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor and Franchisee are parties, Employee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, if the resulting covenant were separately stated in and made a part of this Agreement.

E. Governing Laws

This Agreement shall be construed in accordance with the laws of the state where the Employee resides, which law shall govern in the event of conflict of laws.

F. Third Party Beneficiary

Franchisor shall be a third party beneficiary of this Agreement, irrespective of whether Franchisor has executed this Agreement or not and will have the independent right to enforce the terms of this Agreement.

IN WITNESS WHEREOF, the parties have signed this Agreement and affixed their seals on the day and year above written.

EMPLOYEE \_\_\_\_\_

FRANCHISEE:

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



## SCHEDULE 3- GUARANTY, INDEMNIFICATION, AND ACKNOWLEDGMENT

### GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGMENT

As an inducement to The Xercize Studio, LLC (“Franchisor”) to execute the Franchise Agreement between Franchisor and \_\_\_\_\_ (“Franchisee”) dated \_\_\_\_\_ 20\_\_ (the “Agreement”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations under the Agreement will be punctually paid and performed.

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

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

The undersigned hereby acknowledge and agree to be individually bound by all of the confidentiality provisions and non-competition covenants contained in Sections 20.1 and 20.2 of the Agreement.

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

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement and shall be interpreted and construed in accordance with Article 19 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Connecticut. In the event of any conflict of law, the laws of Connecticut shall prevail, without regard to, and without giving effect to, the application of the State of Connecticut conflict of law rules.

The Guarantors agree that the dispute resolution and attorney fee provisions in Article 17 of the Agreement are hereby incorporated into this Agreement by reference, and references to “Franchisee” and the “Franchise Agreement” therein shall be deemed to apply to “Guarantors” and this “Guarantee,” respectively, herein.



Any notices required or permitted by this Agreement shall be deemed given if sent postage prepaid, registered or certified mail, or express service addressed to the following address, or such other address as may be provided by either party upon written notice to the other party:

If to Franchisee:

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

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

If to Franchisor:

The Xercize Studio, LLC  
24 West Main Street, #211  
Clinton, Connecticut 06413

Attention: Elyse McNergney

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

GUARANTORS

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



**EXHIBIT D**

**STATE ADDENDA  
AND AGREEMENT RIDERS**



**STATE ADDENDA AND AGREEMENT RIDERS**

**ADDENDUM TO FRANCHISE AGREEMENT  
AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR  
THE XERCIZE STUDIO, LLC**

The following modifications are made to The Xercize Studio, LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Connecticut. When the term “**Supplemental Agreements**” is used, it means None.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

## CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you a FDD approved by the Department of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Franchisor's Choice of Law State. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator's fees.

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

The Franchise Agreement and Supplemental Agreements require the application of the law of Franchisor's Choice of Law State. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD 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.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Supplemental Agreements contain a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement and Supplemental Agreements may provide for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains, and if applicable, the Supplemental Agreements may contain, a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement or Supplemental Agreements may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Business Oversight at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

Item 6 of the FDD is amended to state the highest interest rate allowed in California is 10% per year.

Each owner of the franchise is required to execute a personal guarantee. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property state such as California.

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed on the third page of the FDD on the page entitled, "State Effective Dates."
2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None
4. States in which the proposed registration of these Franchises has been withdrawn are:  
None

## ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.u, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.v, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

## INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.u. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise, Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor's Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

**IOWA**

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three (3) business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to The Xercize Studio, LLC, 24 West Main Street, #211, Clinton, CT 06413, or send a fax to The Xercize Studio, LLC at (646) 349-5220 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

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

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

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

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

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



## MARYLAND

### AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT

Item 17 of the FDD and the Franchise Agreement are amended to state: “The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

The Franchise Agreement and franchisee questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A Sec. 101 et seq.).

## MICHIGAN

**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.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us, and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 our then-current reasonable qualifications or standards.
  - (ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.
  - (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

## MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

## NEW YORK

As to franchises governed by the New York franchise laws, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NY 10005, 212-416-8222. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, with regard to Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result

of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.

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

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

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

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

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

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

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

7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 7 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_

Date \_\_\_\_\_

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to The Xercize Studio, LLC, 24 West Main Street, #211, Clinton, CT 06413, or send a fax to The Xercize Studio, LLC at (646) 349-5220 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

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

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

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

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



## **RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

**SOUTH DAKOTA**

Intentionally left blank.



## VIRGINIA

As to franchises governed by the Virginia Retail Franchising Act, if any of the terms of the Disclosure Document are inconsistent with the terms below, the terms below control.

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document is amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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

Additional Disclosure. The following statements are added to Attachment 5: Franchise Disclosure Questionnaire:

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

## WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement and Supplemental Agreements in your relationship with the franchisor including the areas of termination and renewal of your Franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with the franchisor including the areas of termination and renewal of your Franchise. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In any arbitration involving a Franchise purchased in Washington, the arbitration site shall be either in Washington or in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer. The FDD, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

**WISCONSIN**

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

*(Signatures on following page)*



**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- California
- Hawaii
- Illinois
- Iowa
- Indiana
- Maryland

- Michigan
- Minnesota
- New York
- North Dakota
- Ohio

- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

Dated: \_\_\_\_\_, 20 \_\_\_\_

**FRANCHISOR:**  
THE XERCIZE STUDIO, LLC

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

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

**FRANCHISEE:**

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

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

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



**EXHIBIT E**

**FRANCHISE OPERATIONS MANUAL  
TABLE OF CONTENTS**



**FRANCHISE OPERATIONS MANUAL  
TABLE OF CONTENTS**

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<b>DAY 1</b>	Review of Basic Formats and Fundamentals	40 minutes
	Hybrid Format 1- Workout	1 hour
	Create Your Own	20 minutes
	Practice Teach in Pairs - Hybrid Format 1 and Your Own Format	2 hours
	Volunteer to Teach Hybrid Format 2 - Workout	1 hour
	LUNCH	
	Discuss Hybrid Format 3	20 minutes
	Volunteer to Teach Upper Body Format 1	40 minutes
	Volunteer to Teach Upper Body Format 2	1 hour
	Practice Teach in Pairs - Upper Body Format 3	1 hour
<b>DAY 2</b>	Volunteer to Teach Lower Body Format 1 - Workout	1 hour
	Volunteer to Teach Lower Body Format 2 - Workout	1 hour
	Discuss Lower Body Format 3	20 minutes
	Practice Teach in Pairs - Lower Body Format 3	40 minutes
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**EXHIBIT F**

**LIST OF CURRENT AND FORMER FRANCHISEE**



**Current Franchisees as of July 31, 2024:**

Franchisee Name	Franchised Location Address & Phone
Josh Hurst	IM=X® Pilates & Fitness 812 Sycamore Valley Rd West Danville, CA 94526 925.453.6937
Jen Jizdeortega	IM=X® Pilates & Fitness Jen Jizdeortega 130 J Street Fremont, CA 94536 510.557.5330
Vikki O’Hara	IM=X® Pilates & Fitness 743 1 <sup>st</sup> Street Gilroy, CA 95020 408.891.8276
Lea Lu and Wendy Dong	IM=X® Pilates & Fitness 27981 Greenfield Drive, Suite D Laguna Niguel, CA 92677 949.529.8106
Josh Hurst	IM=X® Pilates & Fitness Kitty Hawk Plaza 2490 Nissen Drive Livermore, CA 94551 925.791.5040
Lea Lu and Wendy Dong	IM=X® Pilates & Fitness 26841 Aliso Creek Rd Aliso Viejo, CA 92656 949. 537.1680
Josh Hurst	IM=X® Pilates & Fitness 2410 San Ramon Valley Boulevard, Suite 112 San Ramon, CA 94583 925.791.5040
Erin Lindsley	IM=X® Pilates & Fitness 22343 La Palma Avenue, Suite 113 Yorba Linda, CA 714.461.8592
Carol Cornachini	IM=X® Pilates & Fitness Twin Lake Commons 999 Foxon Rd, 2nd Fl. North Branford, CT 06471 203.668.7048
Kevin and Lori Derella	IM=X® Pilates & Fitness 4690 State Road 7, Suite #104 Coconut Creek, FL 33073
John Cavanaugh	IM=X® Pilates & Fitness 10743 Narcoosee Road Suite A21, Lake Nona, FL 32832 208.867.0124



Franchisee Name	Franchised Location Address & Phone
Allan and Alessandra Haybittle	IM=X® Pilates & Fitness 14463 N. Dale Mabry Highway Tampa, FL 33618 813.599.3344
Allan and Alessandra Haybittle	IM=X® Pilates & Fitness 23900 State Road 54, Suite 102 Lutz, FL 33559 813.954.3268
Jill Bushee	IM=X® Pilates & Fitness 10952 Eagle Village Drive, Ste 410D Fort Myers, FL 33913 239-922-7420
Angel Whitaker	IM=X® Pilates & Fitness 2207 Kaliste Saloom Road Lafayette, LA 70508 337.484.1IMX (469)
Linda Von Wernitz	IM=X® Pilates & Fitness 15904 Luanne Drive Gaithersburg, MD 20877 240.907.2384
Michael Magwood, DC	IM=X® Pilates & Fitness Chiropractic Wellness Center of Clifton 1425 Broad Street, #4 Clifton, NJ 07013 973.773.8244
Christa Zamel	IM=X® Pilates & Fitness 155 North Dean Street Englewood, NJ 07631 201.408.4466
Christa Zamel	IM=X® Pilates & Fitness 245 Maywood Ave Maywood 07607 201.408.4466
Samanta Aguirre Oscar Chavez	IM=X® Pilates & Fitness 316 Kinderkamack Road Westwood, NJ 07673 201.800.0736
Samanta Aguirre Oscar Chavez	IM=X® Pilates & Fitness 391 Clinton Avenue Wyckoff, NJ 07481 201.540.6632
Jill Gevisenheit	IM=X® Pilates & Fitness 1930 Deer Park Avenue, Suite 100 Deer Park, NY 11729 917.412.6496
Slavka Kmec	8231 63 <sup>rd</sup> Avenue Middle Village, NY 11379 718.898.6209



Franchisee Name	Franchised Location Address & Phone
Katharine Larson	IM=X® Pilates & Fitness 265 Madison Avenue, 2nd New York, NY 10016 212.997.1167
Jennifer Blackman and Kate Conrad	IM=X® Pilates & Fitness 13024 Eastfield Road North Charlotte, NC 28078 704.309.3553
Mike and Rhonda Webber	IM=X® Pilates & Fitness 436 First Street Lake Oswego, OR 97034 503.908.0024
Phong Nguyen	IM=X® Pilates & Fitness 18425 NW West Union Road, Suite A, Portland, OR 97229 503.807.3459
Karen Kleger and Jen Halfpenny	IM=X® Pilates & Fitness 1524 DeKalb Pike, Suite 3 Blue Bell, PA 19422 610.222.6433
Brad and Joann Spencer	IM=X® Pilates Studio 300 Warrendale Road Wexford, PA 15090 724.625.4420
Barbie Chandler	IM=X® Pilates & Fitness 5353 Independence Pkwy, Suite 400 Frisco, TX 75035 469.536.2822
Michelle Dodd	IM=X® Pilates & Fitness 2200 FM 157 #208 Mansfield, TX 76063 972.903.1469
Stephanie and Joe Martini	IM=X® Pilates & Fitness 5034 West Ashland Way Franklin, WI 53150 414.573.4831
Margaret Iwanczuk	IM=X® Pilates & Fitness 4353 Mineola Avenue Roslyn Heights, NY 11577 917.929.1795
Samanta Aguirre and Oscar Chavez	IM=X® Pilates & Fitness 320 State Rt 10 East Hanover, NJ 07936 973.935.4219
Silvia and Ogi Perucica	IM=X® Pilates & Fitness 6150 Paseo Al Mar Blvd, Suite 104, Apollo Beach, FL 33572 813.725.3952



Franchisee Name	Franchised Location Address & Phone
Kelly McDaniel	IM=X® Pilates & Fitness 2706 N Green Valley Parkway, Suite B-3 Henderson, NV 89014
Kristin and Michael Schlinkert	IM=X® Pilates & Fitness 554 Waugh Drive <sup>[1]</sup> <sub>SEP</sub> Houston, TX 77019 713.253.0747
Lea Lu and Wendy Dong	IM=X® Pilates & Fitness 26746 Portola Parkway, Suite 4A, Foothill Ranch, CA 92610 949.529.8106
Jaspreet Sharma	IM=X® Pilates & Fitness 5424 Sunol Boulevard, Suite 6 Pleasanton, CA 94566 925.575.7774



**Franchisees with Unopened Outlets as of July 31, 2024**

Franchisee Name	Address & Phone
Lea Lu and Wendy Dong (4 Pack with 1 more to open)	27 Cedarlake Road Irvine CA 92614
Jaspreet Sharma (2-Pack with 1 more to open)	Jaspreet Sharma 3075 Sorrelwood Drive San Ramon, CA 94582
Dr. Sayeed and Dr. Diaz	IM=X® Pilates & Fitness 15614 Huebner Rd #114 San Antonio, TX 78248
Cheryl and Jeremiah Kahanec	IM=X® Pilates & Fitness 529 NW Prima Vista Blvd, Units 304-305 Port St. Lucie, FL 34987
Tiffany Stavrianos	IM=X® Pilates & Fitness 8976 W. Union Hills Road, Suite 106 Peoria, Arizona 85382
Allan and Alessandra Haybittle Olga Dolynina	Olga Dolynina 2786 Bright Bird Lane Winter Park, FL 32792
Marcelle Lashley-Kabore	Marcelle Lashley-Kabore 60-70 Woodhaven Blvd, Apt 6G Elmhurst, NY 11373
Andreia Toma and Lavinia Badea	Andreia Toma 30-95 34 <sup>th</sup> Street Apt 2C Astoria, NY 11103
Jessica Bell and Julie Nowack (2-Pack)	Jessica Bell 9370 Hummer Court Reno, NV 89521
Reena and Tom Abraham (4-Pack)	970 Kent Avenue Apartment 609 Brooklyn, NY 11205
Marcela Rico and Alex Murillo	Marcela Rico and Alex Murillo 16552 SW 43 <sup>rd</sup> Street Miami, FL 33185
Saima and Ali Malik	Saima and Ali Malik 3690 Guinn Gate Drive Frisco, TX 75034



### **Franchisees Who Have Left the System**

The name and last known address of every franchisee who had an IM=X® Pilates Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period August 1, 2023 to July 31, 2024, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Franchisee Name	Address & Phone
Laura and Nathan Fuller	IM=X® Pilates & Fitness 8035 Providence Road, Suite 330 Charlotte, NC 28277 704.575.5366
Christopher Zunino	IM=X® Pilates & Fitness Breckenridge Village 10301 N. Rodney Parham Rd, Suite C-6 Little Rock, AR 72227 501.574.8587

## **EXHIBIT G**

### **CONTRACTS FOR USE WITH THE IM=X<sup>®</sup> PILATES FRANCHISE**

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the IM=X<sup>®</sup> Pilates Business. The following are the forms of contracts that The Xercise Studio, LLC uses as of the Issuance Date of this Franchise Disclosure Document.

**EXHIBIT G-1**

**IM=X® PILATES FRANCHISE**

**GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of The Xercize Studio, LLC, an New York limited liability company (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate an IM=X® Pilates business;

**WHEREAS**, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee (**enter into a successor franchise agreement**), and Franchisor has consented to such transfer (**agreed to enter into a successor franchise agreement**); and

**WHEREAS**, as a condition to Franchisor’s consent to the transfer (**Franchisee’s ability to enter into a successor franchise agreement**), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent to the transfer (**Franchisor entering into a successor franchise agreement**), and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties**. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. The undersigned represents and warrants that he is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release**. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third party claim.



3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Agreement to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Connecticut.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

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

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

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

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

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

## EXHIBIT G-2

### IM=X® PILATES FRANCHISE

#### SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of The Xercize Studio, LLC, a New York limited liability company, and its successors and assigns (“us,” “we” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in the Franchisee Territory (including, but not limited to, the services we authorize), but excludes an IM=X® Pilates business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and operation of an IM=X® Pilates business or the solicitation or offer of an IM=X® Pilates franchise, whether now in existence or created in the future.

“*Franchisee*” means the IM=X® Pilates franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and operation of an IM=X® Pilates business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Franchise Operations Manual.

“*Franchise Operations Manual*” means our confidential operations manual for the operation of an IM=X® Pilates business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an IM=X® Pilates business, including “IM=X® Pilates” and any other trademarks, service marks, or trade names that we designate for use by an IM=X® Pilates business. The term “Marks” also includes any distinctive trade dress used to identify an IM=X® Pilates business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing or attempting to induce: (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position; or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s IM=X® Pilates business; provided, however, that if a court of competent jurisdiction

determines that this period of time is too long to be enforceable, then the “Restricted Period” means the one-year period after you cease to be a manager or officer of Franchisee’s IM=X® Pilates business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s IM=X® Pilates business (and including the premises of the approved location of Franchisee); and (ii) a 25-mile radius from all other IM=X® Pilates businesses that are operating or under construction as of the beginning of the Restricted Period.

“*System*” means our system for the establishment, development, operation, and management of an IM=X® Pilates business, including Know-how, proprietary programs and products, Franchise Operations Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the IM=X® Pilates business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s IM=X® Pilates business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s IM=X® Pilates business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and other IM=X<sup>®</sup> Pilates franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Connecticut, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name



## EXHIBIT G-3

### IM=X<sup>®</sup> PILATES FRANCHISE

### CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of The Xercize Studio, LLC, a New York limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow IM=X<sup>®</sup> Pilates franchisees to use, sell, or display in connection with the marketing or operation of an IM=X<sup>®</sup> Pilates Business, whether now in existence or created in the future.

“*Franchisee*” means the IM=X<sup>®</sup> Pilates franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*IM=X<sup>®</sup> Pilates Business*” means a business that operates fitness studios that offer Pilates, back exercise, personal training, cardiovascular exercise, and fitness programs for back strength and weight loss in private, semi-private and group settings and other related products and services using our Intellectual Property.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Franchise Operations Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, or operation of an IM=X<sup>®</sup> Pilates Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Franchise Operations Manual.

“*Franchise Operations Manual*” means our confidential operations manual for the operation of an IM=X<sup>®</sup> Pilates Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an IM=X<sup>®</sup> Pilates Business, including “IM=X<sup>®</sup> PILATES” and any other trademarks, service marks, or trade names that we designate for use by an IM=X<sup>®</sup> Pilates Business. The term “Marks” also includes any distinctive trade dress used to identify an IM=X<sup>®</sup> Pilates Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of an IM=X<sup>®</sup> Pilates Business, including Know-how, proprietary programs and products, course manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees,

and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the IM=X® Pilates Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of The Xercize Studio, LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and other IM=X® Pilates franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of The Xercize Studio, LLC, you understand and acknowledge that your employer, employee, independent contractor, agent, representative,

or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Connecticut, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name



**EXHIBIT G-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**EFT Debit Authorization**  
(Variable Amounts)

**AUTHORIZATION FORM FOR DIRECT PAYMENT EFT DEBITS**

Company Name \_\_\_\_\_ Company ID Number: \_\_\_\_\_

I (we) hereby authorized Xercize Studio, LLC (“Franchisor”), hereinafter called COMPANY, to initiate debit entries for any amount due Xercize Studio, LLC in the Franchise Agreement with Franchisor (the “Franchise Agreement”) to my (our) account indicated below and the financial institution named below, hereinafter called FINANCIAL INSTITUTION, to debit the same to such account. I (we) acknowledge that the origination of EFT transactions to my (our) account must comply with the provisions of U.S. law.

COMPANY may debit my account for amounts becoming due by me on a monthly basis or on termination of my Franchise Agreement for liquidated damages due pursuant to the Franchise Agreement and what is required in the Franchise Agreement, according to the due date on my account and any fees associated with any returned items.

Financial Institution Name:	Branch:
Address:	Type of Account (check one below):
City/State:	Checking:
ZIP:	Savings:

Account Name:
Routing Number:
Acct Number:

This authority is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and manner as to afford COMPANY and FINANCIAL INSTITUTION a reasonable opportunity to act on it.

Corporate Legal Name:
Customer Account Number:
Signature: _____ Date: _____
Email address: _____

**PLEASE ATTACH COPY OF VOIDED CHECK TO THIS FORM**



**EXHIBIT G-5**

**IM=X® PILATES FRANCHISE**

**APPROVAL OF REQUESTED TRANSFER**

This Approval of Requested Transfer (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between The Xercize Studio, LLC (“**Franchisor**”), a New York Limited Liability Company, \_\_\_\_\_ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and \_\_\_\_\_, a [State] [Corporation/Limited Liability Company] (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate an IM=X® Pilates franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to transfer (“**Requested Transfer**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Transfer of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Transfer of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Transfer, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Transfer Fee**”).

2. Transfer, Assignment, and Assumption. Former Franchisee hereby consents to transfer and assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Transfer of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Transfer Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement and waives any obligation for Former Franchisee to enter into a subordination agreement pursuant to the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement will terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of this

Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of an IM=X<sup>®</sup> Pilates franchise as stated in Franchisor's Franchise Disclosure Document.

6. Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Franchisee and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. Buyer hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10 Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Connecticut.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

THE XERCIZE STUDIO, LLC

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

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

**FORMER FRANCHISEE:**

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

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

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

**NEW FRANCHISEE:**

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

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

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

Rev. 082418

**EXHIBIT G-6**

**IM=X® PILATES FRANCHISE**

**LEASE ADDENDUM**

This Addendum to Lease (“**Addendum**”), dated \_\_\_\_\_, 20\_\_\_\_, is entered into by and between \_\_\_\_\_ (“**Lessor**”), and \_\_\_\_\_ (“**Lessee**”).

A. The parties hereto have entered into a certain Lease Agreement dated \_\_\_\_\_, 20\_\_\_\_, and pertaining to the premises located at \_\_\_\_\_ (“**Lease**”).

B. Lessor acknowledges that Lessee intends to operate an IM=X® Pilates franchise from the leased premises (“**Premises**”) pursuant to a Franchise Agreement (“**Franchise Agreement**”) with The Xercise Studio, LLC (“**Franchisor**”) under the name IM=X® Pilates or other name designated by Franchisor (herein referred to as “**Franchised Business**” or “**Franchise Business**”).

C. The parties now desire to amend the Lease in accordance with the terms and conditions contained herein.

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Lessor and Lessee as follows:

1. **Use of Premises.** During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchised Business. Lessor agrees that Lessee may not sublease or assign all or any of its occupancy rights or extend the term of the Lease without Franchisor’s prior written approval and that Lessee and Lessor shall not amend or otherwise modify the Lease in any manner to materially affect any terms of this Addendum or the use of the Premises for the Franchised Business.

2. **Franchise System.** Lessor hereby consents to Lessee’s use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the Franchised Business required by Franchisor. Lessee’s use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. **Assignment.** Lessee shall have the right, without further consent from Lessor, to sublease or assign all of Lessee’s right, title, and interest in the Lease to a Franchise Assignee at any time during the term of the Lease, including any extensions or renewals thereof, in accordance with the Collateral Assignment of Lease attached hereto as Attachment 1 or otherwise. No assignment shall be effective until a Franchise Assignee gives Lessor written notice of its acceptance of the assignment and assumption of the Lease. Nothing contained herein or in any other document shall create any obligation or liability of Franchisor, any Franchise Assignee, or guarantor thereof under the Lease unless and until the Lease is assigned to and accepted in writing by a Franchise Assignee. In the event of any assignment or purported assignment under this Addendum, Lessee shall remain liable under the terms of the Lease and the assignee or sublessee shall retain all of the Lessee’s rights granted in the Lease related to: (i) any grant of a protected territory or use exclusivity; and (ii) the renewal or extension of the Lease term. With respect to any assignment proposed or consummated under this Addendum, Lessor hereby waives any rights it may have to recapture the Premises or modify any terms or conditions of the Lease. Franchisor shall have the right to sublet or reassign the Lease to another Franchise Assignee without Lessor’s consent in accordance with Section 3(a) in which event Franchisor shall be released of any obligation or liability under the Lease. As used in this Addendum, “**Franchise Assignee**” means: (i) Franchisor or Franchisor’s parent, subsidiary, or affiliate; or (ii) any franchisee of Franchisor or of Franchisor’s parent, subsidiary, or affiliate.

#### 4. Default and Notice.

(a) In the event there is a default or violation of the Lease by Lessee, Lessor shall contemporaneously provide to Franchisor a copy of any written notice of such default or violation that Lessor delivers to Lessee. Franchisor shall have the right, but not the obligation, to cure the default during Lessee's cure period plus an additional ten day period. Franchisor will notify Lessor whether it intends to cure the default prior to the end of Lessee's cure period.

(b) All notices to Franchisor shall be sent by registered or certified mail, postage prepaid, to the following address:

The Xercize Studio, LLC  
24 West Main Street, #211  
Clinton, Connecticut 06413

Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees that it will notify both Lessee and Franchisor of any change in Lessor's mailing address to which notices should be.

(c) Following Franchisor's approval of the Lease, Lessee and Lessor agree not to terminate, or materially amend the Lease during the term of the Franchise Agreement or any renewal thereof without Franchisor's prior written consent. Any attempted termination, or material amendment shall be null and void and have no effect as to Franchisor's interests thereunder; and a clause to the effect shall be included in the Lease.

#### 5. Termination or Expiration.

(a) Upon Lessee's default and failure to timely cure under either the Lease or the Franchise Agreement, a Franchise Assignee designated by Franchisor will, at its option, have the right, but not the obligation, to take an automatic assignment of Lessee's interest under the Collateral Assignment of Lease or otherwise, provided such Franchise Assignee cures a default of the Lease no later than ten days following the end of Lessee's cure period.

(b) If Franchisor does not elect to take an assignment of the Lessee's interest, Lessor will allow Franchisor to enter the Premises, without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a Franchised Business and to make other modifications (such as repainting) as are reasonably necessary to protect the Franchisor's trademarks and franchise system and to distinguish the Premises from a Franchised Business.

(c) If Franchisor does not elect to take an assignment of the Lessee's interest, Lessor shall have access to collect the proprietary exercise equipment (Xercizers, Wall Towers, Platforms) from the Premises.

(d) If any Franchise Assignee purchases any assets of Lessee, Lessor shall permit such Franchise Assignee to remove all the assets being purchased, and Lessor waives any lien rights that Lessor may have on such assets.

#### 6. Consideration; No Liability.

(a) Lessor acknowledges that the Franchise Agreement requires Lessee to receive Franchisor's approval of the Lease prior to Lessee executing the Lease and that this Addendum is a material requirement for Franchisor to approve the Lease. Lessor acknowledges Lessee would not lease the Premises without this Addendum. Lessor also hereby consents to the Collateral Assignment of Lease from Lessee to Franchisor as evidenced by Attachment.

(b) Lessor further acknowledges that Lessee is not an agent or employee of Franchisor, and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any Franchise Assignee, and that Lessor has entered into this with full understanding that it creates no duties, obligations, or liabilities of or against any Franchise Assignee.

7. Amendments. No amendment or variation of the terms of the Lease or this Addendum shall be valid unless made in writing and signed by the parties hereto.

8. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions, and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though copies herein in full.

9. Beneficiary. Lessor and Lessee expressly agree that Franchisor is a third-party beneficiary of this Addendum.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month, and year first written above.

**LESSOR:**

**LESSEE:**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

**FRANCHISOR:**

**THE XERCIZE STUDIO, LLC**

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

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

**E-6 ATTACHMENT 1 TO LEASE ADDENDUM**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ (“**Effective Date**”), the undersigned, \_\_\_\_\_ (“**Assignor**”) hereby assigns, transfers and sets over unto The Xercize Studio, LLC (“**Assignee**”) all of Assignor’s right, title, and interest as tenant, in, to and under that certain lease, a copy of which is attached hereto as **Exhibit A (“Lease”)** with respect to the premises located at \_\_\_\_\_. This Collateral Assignment of Lease (“**Assignment**”) is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee expressly assume the obligations of Assignor thereunder.

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

Upon a default by Assignor under the Lease or under that certain franchise agreement for a franchise between Assignee and Assignor (“**Franchise Agreement**”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered, in Assignee’s sole discretion, to: (i) cure Assignor’s default of the Lease; (ii) take possession of the premises demised by the Lease; (iii) expel Assignor from the premises, either temporarily or permanently; (iv) terminate Assignee’s rights, title, and interest in the Lease; or (v) assume the Lease. If Assignee expends sums to cure a default of the Lease, Assignor shall promptly reimburse Assignee for the cost incurred by Assignee in connection with such performance, together with interest thereon at the rate of two percent (2%) per month, or the highest rate allowed by law.

Assignor agrees it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day that said option must be exercised, unless Assignee otherwise agrees in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest to exercise the extension or renewal options in the name, place, and stead of Assignor for the sole purpose of effecting the extension or renewal.

Assignor hereby agrees to indemnify and hold harmless from, and to immediately reimburse Assignee for, all costs, expenses, damages and claims, including attorneys’ fees and costs, incurred by Assignee in enforcing this Assignment or in curing Assignor’s default or alleged default under the Lease or relating to Assignor’s obligations under the Lease. Without limiting the generality of the foregoing, Assignee shall not assume, or indemnify and hold Assignor harmless from, any monetary, maintenance or repair, environmental, indemnification or other liabilities or claims which arose, accrued or related to acts or omissions occurring prior to the Effective Date.

*(Signatures on following page)*

**IN WITNESS WHEREOF**, Assignor and Assignee have signed this Collateral Assignment of Lease as of the Effective Date first above written.

**ASSIGNOR:**

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

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

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

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

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

**ASSIGNEE:**

THE XERCIZE STUDIO, LLC

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

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

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

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

## STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
CALIFORNIA	PENDING
HAWAII	NOT REGISTERED
ILLINOIS	NOT REGISTERED
INDIANA	NOT REGISTERED
MARYLAND	NOT REGISTERED
MICHIGAN	NOT REGISTERED
MINNESOTA	NOT REGISTERED
NEW YORK	PENDING
NORTH DAKOTA	NOT REGISTERED
RHODE ISLAND	NOT REGISTERED
SOUTH DAKOTA	NOT REGISTERED
VIRGINIA	NOT REGISTERED
WASHINGTON	NOT REGISTERED
WISCONSIN	NOT REGISTERED

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or sell-assisted marketing plans.

**EXHIBIT H**

**RECEIPT**

**RECEIPT  
(Our Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Xercize Studio, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, The Xercize Studio, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires The Xercize Studio, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Xercize Studio, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Elyse McNergney, 24 West Main Street, #211, Clinton, CT 06413, (212) 997-5550
Lauren Humm Fakeete, 24 West Main Street, #211, Clinton, CT 06413 (212) 997-5550
Renee Raiche, 24 West Main Street #211, Clinton, CT 06413 (212) 997-5550
Robert Maynard, 24 West Main Street #211, Clinton, CT 06413 (212) 997-5550

Issuance Date: October 31, 2024

I received a disclosure document issued October 31, 2024 which included the following exhibits:

- Exhibit A List of State Administrators/Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D State Addenda and Agreement Riders
- Exhibit E Franchise Operations Manual Table of Contents
- Exhibit F List of Current and Former Franchisees
- Exhibit G Contracts for use with the IM=X® Pilates Franchise
- Exhibit H Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

**Please sign this copy of the receipt, date your signature, and return it via email to [franchise@imxpilates.com](mailto:franchise@imxpilates.com).**



**RECEIPT**  
**(Retain This Copy)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Xercize Studio, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, The Xercize Studio, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires The Xercize Studio, LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If The Xercize Studio, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Elyse McNergney, 24 West Main Street, #211, Clinton, CT 06413, (617) 529-2431
Lauren Humm Fakeete, 24 West Main Street, #211, Clinton, CT 06413 (212) 997-5550
Renee Raiche, 24 West Main Street #211, Clinton, CT 06413 (212) 997-5550
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- |           |  |
|-----------|--|
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| Exhibit F | List of Current and Former Franchisees                     |
| Exhibit G | Contracts for use with the IM=X® Pilates Franchise         |
| Exhibit H | Receipt  |

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**

