


## FRANCHISE DISCLOSURE DOCUMENT

	<p><b>NEIGHBORHOOD BARRE FRANCHISING, LLC</b> <b>(A Virginia limited liability company)</b> <b>126 Garrett Street, Suite J</b> <b>Charlottesville, Virginia 22902</b> <b>Telephone: (877) 827-8074</b> <b><a href="http://www.neighborhoodbarre.com">www.neighborhoodbarre.com</a></b></p>
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The franchise offered is for the operation of an exercise studio using a combination of dance conditioning, Pilates and isometric techniques and also selling exercise equipment and merchandise.

The total investment necessary to begin operation of a Neighborhood Barre Studio franchise ranges from \$94,040 to \$266,000. This includes between approximately \$58,040 to \$69,000 that must be paid to the franchisor.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payments 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 Paul Flick, 126 Garrett Street, Suite J, Charlottesville, VA 22902, (877) 827-8074.

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

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

**ISSUANCE DATE: JUNE 30, 2025**

## How to Use this Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<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, Exhibit C or Exhibit D.
<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 direction. 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 the support to my business?</b>	Item 21 or Exhibit E includes the 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 Neighborhood Barre 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 Neighborhood Barre franchisee?</b>	Item 20 or Exhibit C and Exhibit D 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 the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

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

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

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

### Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchisor 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 also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About This Franchise

Certain states require that the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and the development agreement require you to resolve disputes with the franchisor by litigation only in Virginia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Virginia than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Inventory Control.** You must maintain inventory and supply levels designated by the franchisor. Your inability to maintain inventory levels 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.

**THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY**

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

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

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

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

- (h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).
- (i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**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:

**Michigan Attorney General's Office  
Consumer Protection Division  
Attention: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
Telephone Number: 517-373-7117**

**Note: Despite subparagraph (f) above, we intend to fully enforce the arbitration provisions of the franchise agreement. We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing these arbitration provisions. We will seek to enforce this section as written.**

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

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## **ITEM 1**

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

To simplify the language, this disclosure document (this “Disclosure Document”) uses “we,” “us,” “our,” “Franchisor” or “Neighborhood Barre” to mean Neighborhood Barre Franchising LLC, the franchisor. “You” means the person, corporation, partnership or other entity that buys the franchise and those of your owners who personally assume and guaranty performance of your obligations under your agreements with us. Terms used but not defined in this Disclosure Document (including various capitalized terms) have the meanings given to them in the Franchise Agreement attached as Exhibit B to this Disclosure Document (the “Franchise Agreement”).

#### **The Franchisor**

Neighborhood Barre Franchising, LLC is a limited liability company formed in the Commonwealth of Virginia on April 25, 2024. Our principal business address is 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, and our business phone number is (877) 827-8074. We do business only under the name Row House Franchising LLC, or in some cases, simply as “Row House.” We do not do business under any other name. Our agents for service of process are listed in Exhibit A to this Disclosure Document.

We began offering franchises for Neighborhood Barre-branded studios (previously defined as “Studios”) as of November 2024. As of December 31, 2024, there were 21 Neighborhood Barre franchised locations in the United States.

Except as provided in this Item, we have not and do not offer franchises in any other line of business and conduct no business activities other than offering franchises for Row House Studios and administering the franchise system. We have never offered franchises in any other line of business. We have never operated a business similar to the one being offered in the Disclosure Document, but in addition to operating as a franchisor, we sell branded exercise equipment, clothing and other merchandise on a website to the general public and to franchisees.

#### **Our Parents, Predecessors, and Affiliates**

##### **Parent**

Our direct parent is Extraordinary Brands, LLC (“**EB**”), a limited liability company formed in the Commonwealth of Virginia on May 23, 2022. EB’s principal place of business is 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. EB’s parent is AE Capital Group, LLC (“**AE Capital Group**”), a Delaware entity formed on May 20, 2021, with a principal place of business of 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. As of the issuance date of this Disclosure Document, EB provides our franchisees with internally prepared marketing services, but reserves the right to discontinue these services at any time. Neither AE Capital Group nor EB provides products or services (except those previously mentioned) to our franchisees, and neither offers or sells, or has offered or sold, franchises in any line of business.

##### **Predecessors**

Neighborhood Barre, LLC, a Tennessee limited liability company (“**NBL**”) formed on May 4, 2011, is our and our predecessor’s affiliate. NBL began operating the first Neighborhood Barre Studio in October of 2011 and currently operates one Studio located in Knoxville, Tennessee. NBL’s principal business address is 4445 Kingston Pike, Knoxville, TN, 37919. NBL sells equipment and apparel via the Internet and also offers customers in all locations paid access to online fitness and exercise classes.

Our predecessor is Barre Skinny, LLC (“**Barre Skinny**”). Barre Skinny is a Tennessee limited liability company formed on July 30, 2014, with a principal business address of 4445 Kingston Pike, Knoxville, TN, 37919. Barre Skinny offered franchises for Studios from June 2014 until August 2024 when it transferred the assets associated with the franchise system to us. Barre Skinny never offered franchises in any other line of business or had any other business operations except that Barre Skinny currently operates a Studio located in Gallatin, Tennessee, which was acquired from a franchisee in 2023.

Certain of our principals, through NBL, have substantial experience in Studio operations. NBL currently operates one Neighborhood Barre Studio in Knoxville, Tennessee and Barre Skinny currently operates one Neighborhood Barre Studio in Gallatin, Tennessee.

### **Affiliates**

Our affiliate, AE Capital, LLC (“**AE Capital**”), a Delaware entity formed on January 20, 2015, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, VA 22911, is the parent company of Premium Service Brands, LLC (“**PSB**”), a Delaware entity formed on January 15, 2015, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, VA 22911. PSB is the parent company of PSB Group, Inc. (“**PSB Group**”), a Delaware entity formed on May 14, 2021, with its principal place of business at 126 Garrett Street, Suite J, Charlottesville, VA 22911. None of AE Capital, PSB, and PSB Group offer franchises in any line of business, nor do any of them provide products or services directly to our franchisees.

Our affiliate, Eat the Frog Franchising, LLC (“**ETF**”) is a Virginia limited liability company formed on March 8, 2024 with a principal business address of 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. ETF operates under its corporate name and the name “Eat the Frog.” ETF has been offering franchises for workout studios since August 2024. As of the December 31, 2024, there were 4 franchised outlets. Other than the above, ETF does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any similar businesses to the one it franchises.

Our affiliate, Purvelo Franchising, LLC (“**Purvelo**”) is a Virginia limited liability company formed on May 23, 2022 with a principal business address of 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. Purvelo has been offering franchises for cycle studios that offer spin and other fitness class offerings since September 2022 and does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any similar businesses to the one it franchises. As of December 31, 2024, there were 2 franchised outlets along with 1 company-affiliated operating outlets.

Our affiliate, Row House Franchising, LLC (“**Row House**”) is a Virginia limited liability company formed on May 17, 2024 with a principal business address of 126 Garrett Street, Suite J, Charlottesville, Virginia 22902. Row House operates under its corporate name and the name “Row House.” Row House has been offering franchises for fitness studios that provide rowing and other specialized exercise classes using designated equipment since July 2024. As of the December 31, 2024, there were 46 franchised outlets in the United States. Other than the above, Row House does not offer franchises in any other line of business, does not engage in any other line of business, and does not own or operate any similar businesses to the one it franchises.

PSB Group is the direct parent of the following affiliates, which do not operate any other business or offer franchises in any other line of business, except as described below:

<b>Affiliate</b>	<b>Principal Business Address</b>	<b>Franchise Offered</b>	<b>Offered Franchises Since</b>	<b>Number of as of December 31, 2024</b>
360 Painting, LLC <b>("360 Painting")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	painting and wall finishing services for both exterior and interior portions of residences and "light commercial" buildings	April 1, 2013  Predecessor: 360 Painting, Inc., which offered and sold franchises from September 2, 2006 until April 1, 2013.	122 franchisees operating 153 outlets in the U.S.
Pro-Lift Doors Franchise, LLC <b>("Pro Lift")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	a full range of residential and commercial overhead garage services	September 1, 2015	57 franchisees operating 72 territories in the U.S.
Maid Right, LLC <b>("Maid Right")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	residential cleaning and related services	April 2018	28 franchisees operating 35 territories, of which 8 were master franchises in the U.S.
House Doctors, LLC <b>("House Doctors")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	handyman services for both exterior and interior portions of residences and "light commercial" buildings	November 2021  Predecessor: Handyman Pro, LLC, which offered Handyman Pro franchises from April 2018 until September 2021	69 franchisees operating 88 territories in the U.S.
Kitchen Wise, LLC <b>("Kitchen Wise")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	market, design, sell and install custom products and shelving for kitchen and bathroom cabinets and closets	October 2019	7 franchisees operating 7 territories in the U.S.
Rubbish Works, LLC <b>("Rubbish Works")</b>	126 Garrett Street, Suite J, Charlottesville, VA 22911	service junk removal for residential consumers	November 2020	3 franchisees operating 4 territories in the U.S.

<b>Affiliate</b>	<b>Principal Business Address</b>	<b>Franchise Offered</b>	<b>Offered Franchises Since</b>	<b>Number of as of December 31, 2024</b>
The Grout Medic, LLC (“ <b>Grout Medic</b> ”)  DE limited liability company	126 Garrett Street, Suite J, Charlottesville, VA 22911	tile and grout restoration, repair, and re-caulking services for both exterior and interior portions of residences and “light commercial” buildings	October 2021  Predecessor: The Grout Medic, LLC (TX limited liability company) which offered and sold franchises from December 2019 to September 2021	45 franchisees operating 69 territories in the U.S.
RooterMan, LLC (“ <b>RooterMan</b> ”)	126 Garrett Street, Suite J, Charlottesville, VA 22911	plumbing and sewer services for residential and commercial consumers	February 2022	62 franchisees operating 585 outlets in the U.S. and Canada.
Window Gang, LLC (“ <b>Window Gang</b> ”)	126 Garrett Street, Suite J, Charlottesville, Virginia, 22902	window cleaning, gutter cleaning, pressure washing, low pressure chemical washing, deck/fence restoration, roof washing, house washing, dryer vent cleaning, chimney sweeping and other cleaning services	May 2023	37 franchisees operating 54 outlets in the U.S.

**Agent for Service of Process**

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

**The Franchise We Offer**

We offer franchises for the operation of exercise studios (“**Neighborhood Barre Studios**” or “**Studios**”), that use a combination of dance conditioning, Pilates and isometric techniques in classes offered to individuals of all experience and fitness levels. Studios also sell branded mats, exercise balls, bands, and other approved equipment, merchandise, and clothing. Neighborhood Barre Studios operate using our distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, and operational standards and specifications (together, the “**Licensed Methods**”). We franchise the operation of Studios under our trade name and service mark “Neighborhood Barre” and other logos, trademarks, service marks and commercial symbols (together, the “**Marks**”).

A Franchise Agreement (“**Franchise Agreement**”), which is attached as Exhibit B to this Disclosure Document is signed for each Neighborhood Barre Studio. You will receive the right to use our Marks and Licensed Methods to operate your Studio at a location approved by us (“**Franchised Location**”).

## **Neighborhood Barre Studios**

Neighborhood Barre Studios are typically between 1,200 and 1,600 square feet in size with adequate instruction and retail areas. Neighborhood Barre Studios have cork flooring suitable for bare feet, mirrors, and ballet barres on one wall with enough space to accommodate between 20 and 30 mats for classes of up to 30 people. The Studios also have a reception counter and waiting area, changing area and bathrooms, a storage room, retail display and a designated area for in-studio childcare.

Neighborhood Barre Studios feature a friendly, accepting atmosphere where people of all ages and levels of fitness can enjoy classes designed to strengthen and elongate their muscles. You are encouraged to become involved in local charity events that raise money by sponsoring walks, runs and other physical activities in your community, as well as “donation only” classes within the Studio. Studios are staffed with certified instructors who provide classes after attending the instructor certification program described in Item 11. Neighborhood Barre Studios offer instruction varying in cost based on individual class pricing or membership pricing.

## **Market and Competition**

The market for your services will include women and men at all fitness levels and ranging in age from teens to seniors. The sale of the services and merchandise offered by a Neighborhood Barre Studio is not seasonal. The fitness and exercise training industry and the sale of fitness merchandise, equipment and apparel is very fragmented. You will encounter competition from other fitness studios, athletic clubs, and recreational facilities, retail stores and Internet sites that sell fitness programs, apparel and equipment. You may even experience competition from other Neighborhood Barre Studios within the same market area as your Studio and from us or our affiliates, including NBL, which sell equipment and apparel via the Internet, other electronic methods, mail order, retail store display, wholesale and through other channels of trade. In addition, NBL also offers customers in all locations paid access to online fitness and exercise classes.

## **Regulations**

You must investigate and comply with all local, state, and federal laws and regulations affecting your Studio. We are not aware of any regulations specific to the operation of a Studio in your state, although you are responsible for complying with all local, state, and federal laws of a general nature which affect the operation of your Studio such as the Americans with Disabilities Act, Federal Wage and Hour Laws and the Occupational Safety and Health Act. Some states regulate the sale of memberships by athletic clubs and such regulations may apply to the membership pricing offered by your Studio. You should consult with your attorney on this subject, especially regarding state and local laws, rules and regulations that may affect the operation of your Neighborhood Barre Studio at your particular location. You are responsible for complying with employment, workers’ compensation, insurance, corporate, taxing, licensing, zoning and similar laws and regulations.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### **Chief Executive Officer: Paul Flick**

Mr. Flick has served as the CEO of our both our parent, AE Capital Group, since May 2021, and our direct parent, Extraordinary Brands, LLC, since May 2022, at our headquarters in Charlottesville, VA. Mr. Flick also serves as the CEO of AE Capital, at our headquarters in Charlottesville, VA since its inception in April 2013. Mr. Flick has also served as the CEO of PSB and PSB Group at its headquarters in Charlottesville, VA since January 2015. Mr. Flick also serves as the CEO of our affiliated companies, all of which are

headquartered in Charlottesville, VA: 360 Painting, since April 2013; Maid Right, since April 2018; Handyman Pro, since April 2018; Kitchen Wise, since September 2019; Renew Crew, since January 2020; Pro Lift, since September 2015; Rubbish Works, since November 2020, House Doctors and The Grout Medic since September 2021, RooterMan since January 2022; Purvelo since May 2022; Row House since May 2024; ETF since April 2024, and Neighborhood Barre since April 2024.

**President and Manager: Katherine B. Richardson**

Ms. Richardson has been our President and Manager since August 2024. Previously, she served as our predecessor's president from July 2014 until August 2024. She has also served as President and Manager of our affiliate Neighborhood Barre, LLC, since its inception in May 2011. She is the founder of the Neighborhood Barre concept and a certified yoga instructor.

**Brand Lead and Business Coach: Kara Cohen**

Ms. Cohen has served as our Brand Lead and Business Coach since August 2024. Previously, she served as our predecessor's Operations Lead from February 2020 until August 2024.

**Director of Client Experience: Bethany Stearns**

Ms. Stearns has served as our Director of Client Experience since 2023 and she has served on our predecessor's corporate team since August 2018. Prior to and during her time at Neighborhood Barre, Ms. Stearns has worked as an Athletic Trainer.

**Director of Marketing: Marley Delaney**

Ms. Delaney has served as the Director of Marketing for EB since June 2024. Previously, she served as the Marketing Director for Xponential Fitness, in Irvine, California, from October 2021 until June 2024, and as Franchise Marketing Manager for Row House from August 2020 to October 2021. From January 2020 to April 2020, Ms. Delaney served as Franchise Marketing Manager for UFC Gym.

**Director of Franchise Sales and Operations: Nick Trolan**

Mr. Trolan has served as our Director of Franchise Sales and Operations since July 2024. Previously, he served as Franchise Business Coach for D1 Training from September 2022 to July 2024. Prior to that he served as District and General Manager for D1 Training from August 2021 to September 2022. Prior to that, Mr. Trolan served in a number of roles for Planet Fitness from March 2019 to July 2021.

**Studio Development and Onboarding Manager: Eileen McCarthy**

Ms. McCarthy has been our Studio Development and Onboarding Manager since August 2024. Previously, she served as our predecessor's Studio Development and Onboarding Manager from May 2023 until August 2024. From January 2016 to October 2023, Ms. McCarthy owned and operated the Neighborhood Barre location in Arlington, Virginia.

### ITEM 3

#### LITIGATION

Neighborhood Barre Franchising, LLC has no direct litigation information required to be disclosed in this item.

The following litigation relates to our Chief Executive Officer or our affiliate PSB and/or its related brands.

#### Pending Actions

*Willett v. Window Gang, LLC and Paul Flick* (U.S. District Court for the Western District of Virginia, Civil Action No. 3:25-cv-00044). On May 29, 2025, current Window Gang franchisee Willett filed this suit against the franchisor Window Gang, LLC and Paul Flick alleging actual fraud, constructive fraud, negligence per se, rescission, breach of contract and breach of an implied covenant of good faith and fair dealing relating to Window Gang, LLC's alleged sale of a portion of territory to the franchisee that was already sold to an existing Window Gang franchisee. Franchisee seeks damages of \$320,000 and rescission of the franchise agreement as well as costs and attorneys' fees. On June 23, 2025, Window Gang, LLC filed its Answer denying liability to the franchisee and its counterclaims against the franchisee for breach of the franchise agreement, unjust enrichment, quantum meruit, trade secret misappropriation, violations of the Virginia Uniform Trade Secret Act, and injunctive relief preventing further misappropriation or unauthorized disclosure of Window Gang's trade secrets, as well as damages of \$75,000 and reimbursement for costs of litigation and any attorney's fees incurred. Window Gang, LLC intends to defend against all claims and to vigorously pursue its own counterclaims against the franchisee.

*360 Painting, LLC v. Chshelokovskiy, et al.* (U.S. District Court for the Western District of Virginia, Civil Action No. 3:25-cv-00032). On May 7, 2025, 360 Painting, LLC filed a Complaint against former 360 Painting franchisee Andrey Chshelokovskiy and Nomad Contractors LLC d/b/a Nomad Coatings, a company offering services which are competitive with 360 Painting, LLC within the franchise area assigned to Chshelokovskiy, alleging breach of the franchise agreement, misappropriation of trade secrets under the Virginia Uniform Trade Secrets Act, conversion, and unjust enrichment. 360 Painting, LLC seeks damages of \$185,524.25, prejudgment interest and costs, as well as an injunction preventing unfair competition by enforcing the terms of the parties' franchise agreement, preventing further misappropriation or disclosure of 360 Painting, LLC's trade secrets, and ordering Chshelokovskiy to disgorge compensation, profits, or other remuneration received from Nomad Contractors LLC. On June 16, 2025, Chshelokovskiy and Nomad Contractors LLC filed an Answer to the Complaint denying liability for any of the causes of action pled against them, as well as asserting counterclaims against 360 Painting, LLC for fraud, fraudulent inducement, constructive fraud, negligence per se, equitable rescission, breach of contract, and breach of Virginia's Retail Franchising Act. Chshelokovskiy and Nomad Contractors LLC seek damages in the amount of at least \$508,389.73, plus punitive damages of \$350,000.00, rescindment of the franchise agreement and its related agreements, and repayment of all funds previously paid to 360 Painting, LLC under the franchise agreement, as well as reimbursement for costs of litigation and any attorney's fees incurred. 360 Painting, LLC intends to vigorously pursue its own claims against Chshelokovskiy and Nomad Contractors LLC and to defend against all counterclaims.

*360 Painting, LLC v. Glenn A. Misiph et. al.* (U.S. District Court, Western District of Virginia, Case No. 3:22-cv-00056-NKM). On September 27, 2022, 360 Painting, LLC filed a Complaint against former franchisee Glenn A. Misiph and AASK Services, LLC, the former unauthorized operator for franchisee, alleging breach of contract, unjust enrichment and quantum meruit, and seeking injunctive relief arising from the former terminated franchisee's unauthorized use of 360 Painting's Marks on an unauthorized website and the posting of content on the unauthorized website, which impairs the goodwill associated

with 360 Painting's Marks. In addition, 360 Painting alleges breach of the franchise agreement arising from the operation of the 360 Painting franchise through AASK Services, LLC, an entity not a party to the franchise agreement, which used 360 Painting's Marks and other business systems without authorization. 360 Painting then filed an Amended Complaint alleging breach of the franchise agreement, unjust enrichment, quantum meruit, tortious interference with contract, misappropriation of trade secrets under Virginia's Uniform Trade Secret Act, Defend Trade Secret Act violations, statutory conspiracy under VA. Code § 18.2-500 and civil conspiracy to tortiously interfere with contract. The parties then agreed to litigate these claims made by 360 Painting, LLC in Massachusetts as part of the litigation presently pending as *Glenn Misiph et. al. v. 360 Painting, LLC et. al.* (U.S. District Court, District of Massachusetts, Case No. 1:22-cv-11778-AK). In this matter, Glenn Misiph and AASK Services, LLC, filed a Complaint on October 18, 2022, against 360 Painting, LLC, Premium Service Brands, LLC, and Paul Flick alleging fraud, fraudulent inducement, negligent misrepresentation, and violations of the Massachusetts unfair business practices act arising from alleged pre-sale misrepresentations and omissions in 360 Painting's FDD, financial documents, other documents, and oral communications. Plaintiffs also allege breach of contract and breach of the implied duty of good faith and fair dealing arising from 360 Painting's alleged failure to provide services, failure to account for and use the marketing fund, and improper termination of Plaintiffs' franchise. Plaintiffs seek rescission of the franchise agreement, return of the \$54,000 initial franchise fee and all other payments made by Plaintiffs, \$217,999 in compensatory damages, treble damages, and attorneys' fees. On November 13, 2023, 360 Painting filed its counterclaims against Plaintiffs, alleging breach of the franchise agreement, unjust enrichment, quantum meruit, tortious interference with contract, trade secret misappropriation, violations of the Defend Trade Secrets Act, statutory business conspiracy, and common law conspiracy. 360 Painting's counterclaim complaint sought compensatory damages of no less than \$75,000, treble damages, punitive damages, and injunctive relief against the Plaintiffs. On December 22, 2023, 360 Painting filed its First Amended Counterclaims alleging substantially the same causes of action against Plaintiffs. The parties filed motions to dismiss one another's claims, which were heard by the Court on August 14, 2024. On August 16, 2024, the Court ruled on the motions and permitted the case to proceed on the claims filed by Plaintiffs, and the trade secret claims alleged by 360 Painting. The parties are presently exchanging discovery in advance of trial. 360 Painting intends to vigorously pursue its counterclaims against the Plaintiffs.

*Rooterman, LLC v. Klodian Belegu, et al.* (U.S. District Court, District of Massachusetts, Case No. 1:24cv-13015). On December 5, 2024, PSB's subsidiary Rooterman, LLC filed a lawsuit and sought a preliminary injunction against former franchisee Klodian Belegu and Quality Air Care Corporation, a corporation owned by Belegu that operated certain of his franchises, alleging trademark infringement, unfair competition, dilution, violation of post-termination restrictive covenants and breach of the franchise agreements arising from the former franchisee's unauthorized use of Rooterman's Marks on an unauthorized website, and the former franchisee's failure to return proprietary and confidential information to Rooterman post-termination. In addition, Rooterman alleged trademark infringement against Belegu's other corporation, RM Water Damage Restoration LTD, an entity not a party to the franchise agreement, but which Belegu ran concurrently with his former franchise business. Rooterman then filed an Amended Complaint, which added a defendant, 911 Sewer & Drain, as Belegu was using this entity to violate Rooterman's statutory and contractual rights and unfairly compete. Defendants answered the complaint on February 18, 2025, and also asserted counterclaims against Rooterman, LLC, alleging fraudulent inducement, breach of contract, and violations of the Massachusetts unfair business practices act arising from the alleged failure to provide services, and alleged failure to register and police marks. Defendants further contests the validity of the Rooterman marks, claiming they should be cancelled for alleged abandonment and/or the granting of a naked license. Rooterman, LLC intends to vigorously pursue its own claims and vigorously defend against Belegu's counterclaims. The case is in its earliest stages, but the parties currently await the Court's ruling on Rooterman's motion for a preliminary injunction. Separate from the preliminary injunction matter, in *Rooterman, LLC v. Klodian Belegu, et al.* (American Arbitration Association, Boston Office, Case No. 012400090057), on December 16, 2024, PSB's subsidiary

Rooterman, LLC filed an arbitration case against the same former franchisee Klodian Belegu and Quality Air Care Corporation, as well as the same entities identified in the federal case above, alleging the same substantive claims as in the federal case, and also adding claims against Belegu and Quality Air Care for failure to pay royalties, a claim which must be arbitrated per the parties' franchise agreement. This case is in its earliest stages as well, and the parties have just agreed upon an arbitrator. Rooterman, LLC intends to vigorously pursue its claims.

### Prior Actions

*360 Painting, LLC v. The DeGregorio, LLC, et al.*, (U.S. N.D. Ill., East. Div., Case # 1:21-cv-04577). Filing date: August 27, 2021. 360 Painting, LLC filed a Complaint against former franchisee Greg DeGregorio and several associated corporate entities based on Breach of Franchise Agreement, Breach of Personal Guaranty, and Fraud/Negligent Misrepresentation based on former franchisee's royalty reporting. The parties entered into a settlement of all claims, with neither party admitting fault or liability, on December 24, 2021, pursuant to which 360 Painting paid \$21,000. An agreed dismissal order requesting a dismissal of all claims with prejudice was entered by the Court on January 11, 2022.

*Deborah Carreno v. 360 Painting, LLC, et al.* (U.S. District Court, Southern District of California, Case No. 19cv2239-LAB-BGS). On November 22, 2019, a former 360 Painting franchisee, brought an action against 360 Painting and other unnamed defendants, alleging breach of the implied covenant of good faith and fair dealing, negligent misrepresentation, intentional misrepresentation, unjust enrichment and unfair business practices. Generally, Plaintiff claimed that its difficulty in obtaining state licensing required to operate the franchised business constituted a default by 360 Painting of its responsibility to support Plaintiff in opening and operating the franchised business. Plaintiff also claimed that 360 Painting was obligated to provide advertising materials which were specifically adapted to California's requirements. Plaintiff also claimed that 360 Painting failed to provide sufficient field training. Plaintiff sought unspecified compensatory and special damages, litigations costs and other relief. The parties entered into a settlement of all claims in November 2021, pursuant to which 360 Painting agreed to pay Plaintiff \$57,500. Both parties claims were dismissed with prejudice by Order dated November 18, 2021.

*Dispatch Technologies, Inc. v. Premium Service Brands, LLC* (case #1984CV01003, The Superior Court, Suffolk County, Trial Court of Massachusetts, filed March 29, 2019). Plaintiff was a CRM software vendor that filed claims for breach of contract, breach of a covenant of good faith and fair dealing and unfair and deceptive trade practices and seeking unspecified damages and attorneys' fees relating to unpaid fees for services rendered after a dispute arose regarding the vendor's lack of performance under a vendor contract. The parties settled on May 20, 2019 with Premium Service Brands, LLC agreeing to pay \$190,000 to mutually terminate the contract and be able to pursue a new CRM vendor. The suit was fully dismissed on June 7, 2019.

*YP, LLC d/b/a yellowpages.com, LLC v. 360 Painting, LLC* (case # 17CV7398, Superior Court of Dekalb County, State of Georgia, filed July 17, 2017). Plaintiff was an advertising vendor that filed claims for a statement of account, breach of contract and unjust enrichment after a dispute regarding the vendor's performance under a yellow pages advertising contract. 360 Painting, LLC brought counterclaims on October 16, 2017 for breach of contract, negligent misrepresentation and attorneys' fees on the basis that the plaintiff failed to perform under the contract. The parties settled all claims with 360 Painting, LLC agreeing to pay (via installments) \$21,000 of the alleged \$37,765.19 outstanding principal account balance due, and the lawsuits were mutually dismissed on August 27, 2018.

*MMG-360 LLC, et al. v. Paul Flick, Home Service Franchising, Inc., 360 Painting LLC, Maintenance Made Simple LLC, et al.* (Case No. CV-11-752725, Court of Common Pleas, Cuyahoga County, Ohio). On April 6, 2011, Plaintiff brought an action against Defendants alleging fraud in the inducement and seeking refund

of Plaintiff's purchase price in a transaction in which Plaintiff entities purchased assets of Defendant entities for \$140,000, which transactions were rescinded shortly after their occurrence; fraud and breach of contract based on the rescission or settlement agreement entered into between Plaintiffs and Defendants in which Plaintiffs agreed to accept \$100,000 from Defendants in full repayment of the \$140,000 original purchase price paid by Plaintiffs; and seeking declaratory judgment that certain ancillary agreements were canceled and terminated and that exclusive control over Plaintiff entities revert to Plaintiff Merry Meeting, Inc. Plaintiffs and Defendants filed cross motions for summary judgment. Plaintiff's summary judgment motion was granted control over Plaintiffs MMG-360, LLC; MMG-MMS, LLC; and MMG-MC, LLC was returned to Plaintiff Merry Meeting, Inc. The parties originally agreed in principal to settlement terms in July 2013 calling for Defendants 360 Painting, LLC and Flick to pay \$100,000 to Plaintiffs in exchange for full general releases by all parties, but the settlement was never finalized. Defendants 360 Painting, LLC and Flick later contacted Plaintiffs in 2020 and the parties signed a formal settlement agreement dated May 26, 2020 under which Defendants paid \$100,000 to Plaintiffs on June 2, 2020 in exchange for full general releases.

### Governmental Actions

*In the Matter of 360 Painting, LLC f.k.a. 360 Painting, Inc., and Paul Flick*, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2015-0477, as modified by Order Modifying Consent Order dated January 4, 2017. On or about February 23, 2016, the Securities Division of the Office of the Attorney General of the State of Maryland initiated an investigation into the franchise related activities of 360 Painting, LLC and Paul Flick. On August 18, 2016, the defendants entered into a Consent Order with the Securities Commissioner, in which they agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, except as to the Commissioner's jurisdiction in the proceeding, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Registration and Disclosure Law; (2) to promptly file with the Securities Division and diligently pursue the completion of an initial application to register the 360 Painting franchise offering in Maryland; and (3) to send offers of rescission to two Maryland Franchisees, offering them the right to rescission of their 360 Painting franchise agreements and to obtain a refund of initial franchise fees. In an Order Modifying Consent Order dated January 4, 2017, the Consent Order was modified so that 360 Painting was not required to register its 360 Painting franchise offering in Maryland as long as no offers or sales of 360 Painting franchises were made in Maryland or to any Maryland residents. In the Consent Order, the Commissioner concluded that defendants had violated §§ 14-214, 14-216, 14-228 and 14-229 of the Maryland Franchise Registration and Disclosure Law by offering and selling franchises in Maryland and to Maryland residents while not registered to offer and sell franchises in Maryland and using a Franchise Disclosure Document that failed to set forth all information the Securities Division requires to be included in a Maryland registered Franchise Disclosure Document under the Maryland Franchise Registration and Disclosure Law and Maryland's Franchise Regulations. Specifically, the Commissioner found that, in the Franchise Disclosure Documents distributed to the Maryland Franchisees, defendants had failed to disclose the lawsuit filed by Leslie Owens Brown referenced above in Item 3. 360 Painting has corrected this error. The two Maryland Franchisees accepted the rescission offer.

*In the Matter of 360 Painting, LLC*, No. 20-AVC-F001, investigation by Illinois Attorney General's Office. In January 2020, the Illinois Attorney General's Office began an investigation of potential violations of the Illinois Franchise Disclosure Act by 360 Painting regarding its failure to obtain a signed Illinois amendment to the franchise agreement for Illinois franchises between April 2017 and December 2019. 360 Painting did not contest that Illinois amendments were not executed by Illinois franchisees during this period, but asserted that: (a) each Illinois franchisee received a properly registered franchise disclosure document, including an addendum to the disclosures and an amendment to the franchise agreement containing modifications required by Illinois law; and (b) because each franchisee received the required disclosures,

the failure to obtain executed amendments from each franchisee could not have affected the franchisees' decision to purchase the franchise. The Illinois Attorney General asserted that because 360 Painting brought suit against an Illinois franchisee in Virginia (before unilaterally dismissing the case by filing a Motion to Non-Suit), Illinois franchisees were harmed. On May 22, 2020, 360 Painting entered into an Assurance of Voluntary Compliance ("AVC"), under which 360 Painting agreed to offer affected franchisees the opportunity to rescind their franchise agreements, make a \$6,000 payment to the state, disclose the AVC in its disclosure document, and comply with the Illinois Franchise Disclosure Act in the future.

*In the matter of Commonwealth of Virginia, ex. rel. State Corporation Commission v. 360 Painting, LLC*, No. SEC-2020-00055, investigation by the Virginia State Corporation Commission. In 2020, the Virginia State Corporation Commission began an investigation of potential violations of the Virginia Retail Franchising Act Rules of the Virginia Administrative Code, 21 VAC 5-110-10 et seq. \*the "Act"), regarding alleged failures to disclose necessary litigation, administrative, or material civil actions involving 360 Painting or Flick, in its 2017-2020 Franchise Disclosure Documents ("FDD's"). 360 Painting contested whether the litigation was required to be included in the relevant FDD's and neither admitted nor denied the SCC's allegations. On March 2, 2021, an agreed Settlement Order was entered by the State Corporation Commission's Clerk's Office under which 360 Painting agreed to pay \$10,000 in monetary penalties, \$1,000 to defray costs of investigation, and agreed not to violate the Act in the future.

*In The Matter of the Commissioner of Financial Protection and Innovation v. 360 Painting, LLC, Pro-Lift Doors Franchise, LLC, Maid Right, LLC, Handyman Pro, LLC, Kitchen Wise, LLC, Renew Crew, LLC, Rubbish Works, LLC, and Paul Flick, an individual*, Administrative Proceeding Before the Department of Financial Protection and Innovation of the State of California, File Origination ID 33649, 26267, 110487, 293487, 292987, 339827, 99696, 365318, 403947, Consent Order dated November 19, 2021. In early 2021, the Commissioner of Financial Protection and Innovation ("Commissioner") opened an informal inquiry regarding alleged failures by defendants to disclose certain litigation, administrative, or material civil actions involving defendants in their Franchise Disclosure Documents ("FDD's") as well as related allegations of misrepresentations and omissions in connection with defendant 360 Painting, LLC's 2017 FDD and related sales activities in California. Defendants contested the Commissioner's allegations, but on November 19, 2021, the defendants elected to enter into a Consent Order with the Commissioner, in which they agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the California Franchise Investment Law; (2) to pay penalties of \$72,500 and costs of \$10,500 to the Commissioner; (3) to disgorge all initial franchise fees paid by California franchisees to defendant 360 Painting, LLC and refrain from enforcing or collecting judgments against California franchisees; (4) to disclose to the Commissioner pending and concluded governmental agency matters, pending and concluded administrative, criminal and civil actions against defendants and bankruptcies and debt discharges filed by defendants; (5) to a stop order related to the effectiveness of defendant's 2021 California applications; and (5) to a bar order against defendant Paul Flick from offering or selling franchises or filing franchise registrations in California for 36 months.

*In the matter of determining whether there has been a violation of the Franchise Investment Protection Act of Washington by: 360 Painting, LLC, and In the matter of determining whether there has been a violation of the Franchise Investment Protection Act of Washington by: Pro-Lift Doors Franchise, LLC*. State of Washington Department of Financial Institutions Securities Division, Order No. S-22-3399-22-CO01, Consent Order dated October 4, 2022. In May 2022, the Securities Division of the Washington Department of Financial Institutions (DFI) began conducting an investigation regarding the offer and sale of franchises by Premium Service Brands, LLC and other entities to determine whether there have been any violations of the Washington Franchise Investment Protection Act (RCW 19.100). Following informal discussions with the DFI, effective October 4, 2022, 360 Painting, LLC and Pro-Lift Doors Franchise, LLC elected to

enter into separate Consent Orders with the DFI, in which they each agreed, without admitting or denying any of the DFI's statements of fact or conclusions of law, (1) to cease and desist from any violation of RCW 19.100.170; and (2) to pay investigative costs of \$2,000.

*In the Matter of 360 Painting, LLC, and Paul Flick, Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2022-0226.* In December 2022, the Securities Division of the Office of the Attorney General of the State of Maryland initiated an investigation into the franchise related activities of 360 Painting, LLC and Paul Flick. On April 19, 2023, 360 Painting, LLC and Paul Flick entered into a Consent Order with the Securities Commissioner, in which they agreed, without admitting or denying any of the Commissioner's statements of fact or conclusions of law, except as to the Commissioner's jurisdiction in the proceeding, (1) to immediately and permanently cease and desist from the offer and sale of franchises in violation of the Maryland Franchise Registration and Disclosure Law; (2) to pay to the Office of the Attorney General in conjunction with this Consent Order the sum of \$50,000.00 as a civil monetary penalty; and (3) that the Consent Order is a disclosable order as described under the Maryland Franchise Law, and Item 3 of the NASAA Franchise Registration and Disclosure Guidelines and Amended FTC Franchise Rule. In the Consent Order, the Commissioner concluded that defendants had violated §§ '14-216, 14-220, 14-229, and 14-230 of the Maryland Franchise Law and an order of the Securities Commissioner by failing to disclose certain lawsuits in Franchise Disclosure Documents filed with the Securities Division in 2017 to 2019.

Other than the above actions, 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**

You will pay an initial franchise fee of \$49,000 when you sign the Franchise Agreement for your first Neighborhood Barre Studio. In the event that you qualify for and elect to acquire multiple territories, the initial franchise fees are as follows: \$39,000 for the second unit, and \$29,000 for the third and any subsequent units thereafter.

You will also pay us between \$5,990 and \$11,150 before your Studio opens for instructor training (\$2,250 to \$5,250), an opening inventory of exercise equipment (\$2,100 to \$3,000), and merchandise (\$1,000 to \$2,000), plus interior signs (\$200 to \$400), items to give away at the grand opening (\$300), and a music license (\$440 to \$500) to use at your Studio.

If we determine that it is necessary for us to provide on-site evaluation assistance, we will charge you a site selection fee (currently, \$500 per each of our employees or agents for each full or partial day, plus travel and living expenses).

All initial fees, once paid, are nonrefundable. Except as outlined in this Item 5, all franchisees currently acquiring a franchise pay the same franchise fee. During our most recent fiscal year, all franchisees paid the same franchise fees.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	7% of Gross Sales or \$250 per week, whichever is greater	Payable weekly on Tuesday of each month for the previous week.	“Gross Sales” includes all revenue from the Studio, including sales made away from the Studio, not including taxes, discounts or refunds. Royalties are paid by electronic transfer of funds.
Creative Brand Fund Contribution	2% of Gross Sales	Payable weekly on Tuesday of each month for the previous week.	We have established a brand development Fund for purposes of marketing, promoting and otherwise developing our brand, System, Approved Services and Marks generally, as we determine appropriate in our discretion.  Your obligation to contribute to the Fund will commence once you have started operating your Franchised Business.
Local Advertising Expenditure	You must expend a minimum of \$1,000 per month (your “Local Advertising Requirement”) in connection with the promotion of your Franchised Business within your Designated Territory and as we otherwise permit, as averaged each quarter.	As agreed to with suppliers	All advertising materials must be approved by us prior to use/publication. We may require you to (a) provide us with monthly reports detailing your local advertising expenditures, and (b) expend all or some portion of your Local Advertising Requirement on designated activities or materials that are provided by our designated or approved supplier for these kind of services (which we refer to as an “Approved Supplier” in Item 8).  Please see Item 11 of this Disclosure Document for additional details on your Local Advertising Requirement.
Regional Advertising Co-ops	We reserve the right to allocate all or a portion of the amount of your Advertising Contribution and Local Advertising Expenditure.	Payable as directed by Co-op	As of the date of this Disclosure Document, there are no established cooperatives. If a cooperative is established, our Studios will contribute on the same basis as franchised businesses.

Type of Fee	Amount	Due Date	Remarks
Technology Fee	Currently, \$250 per month	As agreed to with suppliers	<p>The Technology Fee currently includes fees related to your access to and usage of our POS and reservation system, our intranet, our reservation and business management software, any mobile applications we develop, and the System Website. The Technology Fee is currently collected by our Approved Supplier.</p> <p>We may add, delete, or otherwise modify the products and services that are included in the Technology Fee and we may modify this fee upon prior written notice to you. We reserve the right to increase the Technology Fee by no more than 20% of the current fee.</p>
Website Maintenance and Intranet Fees	\$125 per month. This amount is subject to increase based on supplier fee increases.	Payable monthly for the previous month.	Website maintenance and Intranet fees are paid by electronic transfer of funds. They are currently charged for regular website maintenance and email services and creating and maintaining an Intranet site.
Software Fee	Currently \$382/month but subject to increase.	As incurred	Payable directly to the software vendor
Training Program Expenses and On-Site Support	Travel and living costs associated with attending mandatory training sessions. or on-site visits from our Corporate Office.	As incurred	In addition to training program fees, travel related costs incurred by trainers or other parties are payable by you at the time of training. You are also responsible for travel and lodging costs incurred by Corporate for on-site support, operational training, or assistance
Instructor Certification Program	Current published rate	As incurred	Level 1, Intermediate and advanced trainings are at your expense. These fees (or the then published fees) are payable if you hire new instructors during the term of your Franchise Agreement. All trainers must successfully complete our Level I and Intermediate certification program.
Additional Training	Current published rate	As incurred	Payable for additional training, including the training of additional or replacement Principal Managers.
Successor Franchise Fee	20% of the then current franchise fee.	When you sign the then current Franchise Agreement	Payable when you renew the term of your Franchise Agreement.

Type of Fee	Amount	Due Date	Remarks
Transfer Fee	\$15,000, plus \$5,000 for transfer of each right to develop a franchise under any Development Agreement. We will charge 10% of the sale price if buyer is sourced through us as well as any expenses incurred by us related to the transfer that are not covered by the Transfer Fee.	Before effectiveness of transfer	Payable when you transfer the franchise agreement, interest in the Studio, or the franchise.
Relocation Fee	\$5,000	At time of relocation request	<p>You will not be permitted to relocate your Studio without our prior written approval, which may be withheld in our discretion.</p> <p>We reserve the right to assess a relocation fee of \$5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.</p>
Music License Fee	Prorated portion of negotiated discounted rate for music license service. Fees are currently \$759/ year and the price is subject to change.	Annually	Payable to us and we pay vendors.
Insurance Premiums	Will vary depending on your location and insurer.	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us.
Mystery Shopper and Other Quality Control Programs	Currently not assessed	Within 30 days of demand.	Payable only if we establish a mystery shopper program or other quality control mechanism/program, in which case we reserve the right to require a franchisee to contribute up to \$500/year to help defray the costs of such programs that are designed to preserve the goodwill and brand image.

Type of Fee	Amount	Due Date	Remarks
Audit Fees	Costs incurred by us in connection with conducting audit Currently, we estimate that such costs will typically be between \$500 - \$2,500 (plus costs of any travel)	Within 15 calendar days after receipt of audit report	Payable only if (a) an audit or review shows an understatement of Gross Sales for the audited period of 2% or more, or (b) the audit or review is being conducted in response to your failure to timely submit any reports required by your Franchise Agreement.
Interest on Late Fees	1.5% per month or the highest rate allowed by law, whichever is less.	Upon demand	Applies to all amounts not paid when due, until paid in full. Interest also applies to any amount due revealed by an audit.
Cost of Enforcement or Defense	All costs and expenses including attorneys' fees	Upon settlement or conclusion of claim or action	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.
Indemnification	All damages and costs including attorneys' fees	Upon settlement or conclusion of claim or action	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Business.
Alternative Supplier Approval	\$500 per day for personnel engaged in evaluating a supplier, plus expenses.	At time of request	You must also reimburse us for any travel, accommodations, and meal expenses.
Extension of Time to Open your Studio	Then-current fee, currently \$2,500 per month	Upon request for extension of time	You must open the Studio no later than 240 days after the effective date of the Franchise Agreement, within 180 days after we accept the site, and within 10 days after we approve your Studio opening. If you request our approval to open your Studio more than 240 days after the effective date of the Franchise Agreement and we approve your request, you must pay us an opening deadline extension fee equal to \$2,500 for each month (or portion of a month) for which the Opening Deadline is extended. We may require you to execute a general release as a condition for us agreeing to such an extension.
Management Fee	The reasonable costs/expenses we incur in connection with taking over operations, including manager's salary, room and board, travel expenses, and all	When incurred	If we take over the operations of your Studio due to your breach of the Franchise Agreement (or your death or disability), we may take all actions necessary to operate the Studio.

Type of Fee	Amount	Due Date	Remarks
	other related expenses.		
Costs and Attorneys Fees <sup>2</sup>	Will vary depending on nature of your default or the claim brought.	As incurred	Payable if we are successful in a legal action or arbitration proceeding.
Indemnification Under Franchise Agreement <sup>2</sup>	Will vary depending on nature of the claim against us.	As incurred	You have to reimburse us if we are held liable for claims resulting from your Neighborhood Barre Studio.
Lost Revenue Damages	The applicable amount of Lost Revenue Damages, as further defined in the Remarks	Upon termination of Franchise Agreement	If you terminate the Franchise Agreement without cause or we terminate the Franchise Agreement for your breach, you must pay us an amount equal to the net present value of: (1) the lesser of 36 or the number of calendar months remaining on the term of the Franchise Agreement absent termination, multiplied by (2) the sum of the Royalty and Fund Contribution percentages in effect as of the termination date, multiplied by (3) the average monthly Gross Sales of your Studio during the 24 full calendar months immediately preceding the termination date, minus (4) any cost savings we experienced as a result of the termination. However, if (i) as of the termination date, your Studio had not operated a full 24 calendar months, monthly average Gross Sales will equal the highest monthly Gross Sales achieved during the period in which you operated your Studio, and (ii) if the termination was based on your unapproved closure of your Studio, average monthly Gross Sales would be based on the 24 full calendar months immediately preceding the closure of your Studio.
Annual Convention	Currently, \$400 per attendee (or \$600 for a double booking), and \$1,000 if you do not attend, but we may modify the fees on notice to you based on our then current allocated costs.	Upon demand	Attendance fee varies depending on convention location. You are responsible for all costs associated with travel, accommodations, and meal expenses.
Taxes	Amount required to reimburse us for certain taxes imposed on payments to us	Upon demand	If any payments to us are taxed (not income tax), the Royalty will be increased so that the net payment to us is the same as without the tax.

**Notes to Item 6 Table:**

1. Except as otherwise noted in this Item, all fees are uniformly imposed, fully earned when paid and non-refundable. Except as otherwise noted in this Item, all fees are payable to, and imposed and collected by us. All costs and fees set forth in Item 6 are current as of the issuance date of this Disclosure Document. We reserve the right to modify the amount, manner of payment and/or timing for payment for all fees payable to us or our affiliates, except that we will not modify the amount of the Royalty Fee or the Fund contribution you pay to us during the initial term of your Franchise Agreement. The current amounts, manner of payment and timing for payment of all fees and costs will be described in our Manual from time to time.

2. Gross Sales. “Gross Sales” means the total of all monies and receipts you derive in connection with the Business. Gross Sales does not include (i) promotional allowances or rebates paid to a franchisee in connection with its purchase of products or supplies; (ii) sales, use, merchants’ or other taxes measured on the basis of the gross revenues of the Business imposed by governmental authorities directly on sales or use and collected from customers, if the taxes are added to the selling price of your goods and services and are in fact paid by you to the appropriate governmental authorities; or (iii) the value of any coupons duly issued and approved by you, or any bona fide discounts or customer refunds approved by us.

3. Electronic Funds Transfer. You must participate in our then-current electronic funds transfer and reporting program(s). All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized bank debit by 5:00 p.m. on or before the applicable due date. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Fund contributions. Under such circumstances, you will be required to adjust, or “gross up” your payment to us to account for these taxes.

**ITEM 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial Franchise Fee (See Note 1)	\$49,000	Lump Sum	Due at signing of Franchise Agreement.	Us
Leasehold Improvements (See Note 2)	\$20,000 to \$150,000	As incurred	Before Opening	Other Suppliers
Design Fee (See Note 3)	\$1,000 to \$3,500	Lump Sum	Before Opening	Our Approved Architect/Design Firm
Signage (See Note 4)	\$1,500 to \$6,500	As incurred	Before Opening	Us and Other Suppliers
Studio Exercise Equipment (See Note 5)	\$2,540 to \$3,500	As incurred	Before Opening	Us
Furniture and Fixtures (See Note 6)	\$2,000 to \$5,000	As incurred	Before Opening	Other Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Software, Computer and Website (See Note 7)	\$2,000 to \$3,000	As incurred	Before Opening	Other Suppliers
Inventory & Merchandise (See Note 8)	\$2,000 to \$5,000	Lump Sum	Before Opening	Us and Other Suppliers
Initial Training Expenses (See Note 9)	\$900 to \$4,000	As incurred	Before Opening	Other Suppliers
Grand Opening Marketing Campaign (See Note 10)	\$3,000 to \$5,000	As incurred	As incurred	Us and Other Suppliers
Business Licenses (See Note 11)	\$100 to \$1,500	As incurred	Before Opening	Other Suppliers
Additional Funds - 3 Months (See Note 12)	\$10,000 to \$30,000	As incurred	As Incurred	Other Suppliers
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> (See Note 12)	<b>\$94,040 to \$266,000</b>			

### **Explanatory Notes**

**Note 1: Initial Franchise Fee.** If you qualify and elect to acquire multiple territories, the second initial franchise fee shall be \$39,000, and the initial franchise fee for the third and any subsequent territories shall be \$29,000.

**Note 2: Leasehold Improvements.** You must obtain a facility that meets our standards and specifications. Typically, your Neighborhood Barre Studio will be 1,200 to 1,600 square feet and be located in leased retail space. The estimates in the above chart reflect the build-out of space of this size, although your actual costs may vary under or over the estimates. The low-range estimate assumes that you obtain a tenant finish allowance from your landlord. Your costs to improve the Franchised Location will depend in part on whether your space is completely constructed or is the remodel of an existing space, the square footage of your space and market rates in your area. The leasehold improvements, which must be completed in accordance with our standards and specifications, customarily include interior remodeling, floor finishing, painting, electrical, design and various other improvements.

These costs may vary significantly from market to market. If you purchase property or a building, or both, for the Studio, your additional costs will depend on the location and size of the land and building. We do not typically invest in the land and building for a Neighborhood Barre Studio. We are unable to estimate these costs due to the significant variances based on location and market conditions. We are also unable to estimate the cost of leasing a Studio space and lease security deposit for your Studio due to significant variances based on market conditions, size variances, whether the landlord provides a tenant finish allowance and other variables. If you intend to lease your Studio, you should investigate the rates in the area in which you propose to locate your Studio as well as the other factors which will affect your rent expense and lease security deposit.

**Note 3: Design Fee.** This item includes fees paid to our approved architect or design firm to design the Studio. As of the date of this Disclosure Document, our approved architect charges \$55 an hour. Your local laws may require that you hire an architect to create drawings which could cause you to incur an additional expense. As of the date of this Disclosure Document, we noted this fee to be \$3,500.

**Note 4: Signage.** This item includes required outdoor signage purchased from approved suppliers and indoor signage purchased from us.

**Note 5: Exercise Equipment.** This item includes required exercise equipment, including branded mats, balls, and bands, plus music license fees.

**Note 6: Furniture and Fixtures.** This item includes basic furnishings for the reception area and administrative office, a display case for merchandise, and one glass and stainless-steel beverage fridge.

**Note 7: POS System and Computer System.** This estimate includes the cost of the Computer System and POS System, including hardware and software. See Item 11 for a general description of the required computer hardware and software for your Studio.

**Note 8: Inventory and Merchandise.** You must purchase retail and merchandise to inventory from us and our approved suppliers. This will include NB branded and non-branded products such as fitness apparel, accessories, socks, and other products for sale at your studio

**Note 9: Initial Training Expenses.** The cost for training for you and 4 trainees is included in the franchise fee.. Your travel and living expenses when you and your trainees attend our initial training program vary depending on the length of your instruction, the distance you must travel and the standard of living you desire while you attend the program. If you agree, we may offer to send a trainer to your Studio for initial training in which case you will pay travel and living expenses of the trainer who provides the initial training program. Your initial training staff should be a minimum of 5 instructors. You may include up to 5 additional trainees at a cost of 50% of the then current level 1 training fee. If additional time is required to certify a trainee, we will charge our then current hourly rate. Up to 4 additional trainees can be added at 50% of the then current level 1 training fee.

**Note 10: Grand Opening Program.** We will determine the amount you will spend for your grand opening marketing campaign within this range, which will be spent up to and including your Grand Opening. We may provide onsite assistance with travel and lodging expenses covered by you.

**Note 11: Business Licenses.** Business licenses generally range from a nominal amount to \$1,500.

**Note 12: Additional Funds.** This estimates additional funds necessary for the first three months of your business operations, including expenses related to entering into a lease for Studio space. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. You should investigate the market rates for the purchase of land and building and the rental rates in the area where you propose to locate your Studio. We relied on our President's 12 years of experience operating Studios when preparing these figures. You should review these figures carefully with a business advisor before making any decision to purchase a franchise. We do not offer any financing in connection with your initial investment. None of the fees and costs estimated in the chart above are refundable except deposits paid to third parties may be refundable.

## **ITEM 8**

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

#### **Operations**

You must establish, maintain, and operate your Studio in compliance with your Franchise Agreement. It is mandatory that you comply with the standards and specifications contained in an

operations manual we provide to you, in the form of one or more manuals, technical bulletins or other written or electronic materials (together, “**Operations Manual**”), which we may modify. We provide you with our mandatory standards and specifications for the merchandise and workout services offered through your Studio and for the Franchised Location, build-out, signs, fixtures, equipment, furnishings, employee attire, supplies, forms, insurance, advertising material, music licenses, software vendors and other items used at or sold through your Studio.

### **Lease and Build-Out**

We must approve any lease or, if applicable, any purchase agreement for your Studio before you sign any of these agreements. If you are leasing, a copy of the proposed lease must be delivered to us at least 15 days before signing. The lease must contain certain provisions which grant us certain rights, as your franchisor, including:

- (i) The lease must give the landlord’s consent to your use of the Marks and signage which we initially prescribe for the Studio;
- (ii) We must have the right to enter the premises to make any modification necessary to protect the Marks and the Licensed Methods;
- (iii) We or our designee, without the landlord’s approval, must have the option to assume your occupancy rights under the existing lease terms and the right to assign the lease or sublet the premises, for all or part of the lease term, if you are in default under the lease or the Franchise Agreement or if the Franchise Agreement is terminated or not renewed;
- (iv) Your landlord must agree to provide us with a copy of any notices of default sent to you and an opportunity to cure any default; and
- (v) The lease must contain a use provision which is acceptable to us.

You must, at your expense, construct, convert, design, decorate and furnish the Franchised Location in accordance with our plans and specifications, and with the assistance of contractors, architects and suppliers designated or approved by us. We require that you obtain our written consent to any proposed Franchised Location and to any improvements to the Studio before construction begins.

### **Website and Intranet**

We will provide you with a webpage that is linked to our website and which conforms to our standards and specifications. You are responsible for creating and maintaining website content for your linked webpage. You must purchase website maintenance services from third parties designated by us. We derive revenue from your purchase of this service through us. You pay us an ongoing website maintenance and intranet fee, currently \$150 per month, subject to increase if our costs increase. See Item 6. The website and any other electronic advertising must comply with our policies and rules regarding development, maintenance, use and content. We reserve the right to charge you a fee for access to electronic or other communication or technology services we provide or make available to you. The cost of your @nb email is included as part of your monthly tech fee. Additional @nb email addresses can be added for you or your studio manager at a cost of \$10 per email address per month.

### **Computer and Software**

You must acquire and use specified computer systems (with capabilities to run our required point of sale and other specified software), mobile smart devices, smart processors in hardware including Point

of Sale devices which are PCI compliant, software and related hardware and systems to access the Internet (collectively the “Computer Systems”) all from our approved suppliers. We have the right to specify one or more Computer Systems vendors, including software vendors. You must also use our supplier of payment processing equipment and services for the processing of all payments including without limitation credit cards and checks. We reserve the right to change our designated suppliers and our standards and specifications for the Computer System and POS System.

You must purchase or lease office computer equipment and software (the office computer equipment and software is referred to as “**Computer System**”) which meets our standards and specifications. You must also purchase a point-of-sale system pre-loaded with designated software (“**POS System**”). As of the date of this Disclosure Document, the POS System is a designated cloud-based system with customized software for class scheduling, customer management, and text and email communications. There is one approved supplier of the POS System as of the date of this Disclosure Document. We reserve the right to develop and own proprietary software, license it to you, and to derive revenue from license and maintenance fees. You must participate in all credit card, gift card, electronic data capture and other similar programs that we deem mandatory. We reserve the right to change our designated suppliers and our standards and specifications for the Computer System and POS System.

### **Insurance**

You must procure, maintain and provide evidence of (i) commercial general liability insurance for the Franchised Location and its operations with a limit of not less than \$2,000,000 combined single limit, or such greater limit as may be required as part of any lease agreement for the Franchised Location; (ii) unemployment and worker’s compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law; (iii) fitness professional liability insurance of not less than \$1,000,000; (iv) employee theft coverage of \$25,000; (v) cyber liability coverage; and (vi) all-risk personal property insurance in an amount equal to at least one hundred percent (100%) of the replacement costs of the contents and tenant improvements located at the Neighborhood Barre Studio. All of the required policies of insurance must name us as an additional insured and must provide for a 30 day advance written notice to us of cancellation. Upon 60 days prior written notice to you, we reserve the right to require you to change the type of insurance you are required to maintain, and to revise the required coverage limits.

### **Purchases from Designated or Approved Sources**

As discussed above, you must purchase through us website development and maintenance services. You must also purchase through us branded exercise balls, mats, bands, and certain other branded items. We and our approved suppliers are the only currently approved suppliers of weights, exercise equipment, clothing, merchandise, and other items for resale in the Studio. We charge an administrative fee of 5% of the amount of all purchases you make through us. We reserve the right to change the administrative fee. You must maintain minimum inventory levels of exercise equipment and merchandise, clothing, and other items designated by us. As of the date of this Disclosure Document, none of our officers own an interest in any approved or designated third party supplier, other than NBL.

You will purchase or lease the rest of your merchandise, equipment, supplies, and services used, sold or leased through your Studio only from suppliers designated or approved by us in advance. We reserve the right to designate a single approved supplier for certain merchandise, equipment, supplies, and services. If there is no designated or approved supplier for a particular item, you may purchase, lease, sell or use merchandise, equipment, supplies, and services that meet our standards and specifications from any source approved by us. After you pay your initial franchise fee, we give you a list of our approved suppliers, the standards and specifications for exercise instruction, equipment, supplies, and merchandise to be used

or sold by you through your Neighborhood Barre Studio, as well as our criteria for approving a supplier, if any.

We sell merchandise, equipment, supplies and services to franchisees and derive revenue from such sales, including through an administrative fee described above. In the fiscal year ended December 31, 2024, our predecessor and had revenues from franchisee purchases of \$34,900.84, which was 21.4% of its total revenues of \$163,242. In the fiscal year ended December 31, 2024, we had revenues from franchisee purchases of \$44,622.59, which was 28.4% of our total revenues of \$157,066.15. This does not take into account the cost of goods sold or other operating expenses that the predecessor incurred in obtaining or providing specific products and services to franchisees. We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 63% to 78% of the total cost to establish a Neighborhood Barre Studio and approximately 6% to 10% of the total cost of operating a Studio after that time.

If you want to purchase or lease any merchandise, equipment, supplies, or services we have not approved or through a supplier who we have not previously approved, you must notify us in writing and obtain our approval in advance. The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications. We do not make our criteria for approving suppliers available to franchisees. You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or suppliers meet our specifications. We will not unreasonably withhold our approval of a supplier of your choosing if the supplier meets our published standards and specification. If we accept or reject your requested new supplier, we will notify you of our approval or disapproval within 30 days of receipt of your written request. We reserve the right to revoke approval of a supplier and change the published standards regarding any approved merchandise, equipment, supplies, or services used, offered for sale or leased by franchisees upon 30 days written notice to all franchisees and all approved suppliers.

We do not provide material benefits, such as renewal or granting additional franchises to franchisees based on your use of designated or approved sources or suppliers.

### **Advertising and Marketing**

All marketing and promotion of your Neighborhood Barre Studio must conform to our standards and specifications. You must submit to us samples of all advertising and promotional materials that have not been prepared or previously approved by us. Your Studio must participate in promotions we institute from time to time for all Neighborhood Barre Studios or all Studios within a particular market area. We retain the right to develop and control all advertising using our Marks on the Internet or other electronic advertising. We reserve the right, with 30 days prior written notice to you, to require that you participate in electronic advertising.

### **Purchasing Arrangements**

We have no purchasing or distribution cooperatives at the current time, although we may establish pricing programs with certain suppliers based on volumes purchased. Periodically, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees. We can require that you participate in these arrangements and programs. We currently have discount buying arrangements or purchasing and pricing arrangements with suppliers of the equipment required for outfitting the Franchised Location, merchandise and apparel, and the website developer. However, you should not rely on the continued availability of any particular discount buying, pricing or distribution arrangement, or the availability of any particular product or brand in deciding whether to purchase the franchise. We and our affiliates have the right to receive payments from suppliers on account of their dealings with you and other franchisees,

including your purchase of the above-described items. We retain the credit of any volume discounts, rebates or incentives received as a result of your purchases.

## ITEM 9

### FRANCHISEE'S OBLIGATIONS

**These tables list your principal obligations under the Franchise Agreement. This will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a. Site Selection and acquisition/lease	Sections 1.2, 2.2.C, 7.1 and 7.2, 8.4.B, 15.1 and Exhibit 4	Items 11 and 12
b. Pre-opening purchases/leases	Sections 5.4, 6.1, 7.3, and 7.4	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Section 7 and Sections 6.1, 6.2, 6.3, 6.5, 6.8, and 9.2	Items 6, 7 and 11
d. Initial and ongoing training	Sections 5.5 and 6.2	Items 6, 7 and 11
e. Opening	Sections 2.2, 6.1, and 15.1.D	Item 11
f. Fees	Section 5 and Sections 6.2, 9.1, 9.2, 9.4, and 15.1.Q	Items 5 and 6
g. Compliance with standards and policies / Operating Manual	Section 4 and Sections 1.2, 2.2.E, 6.3, 6.5, 7.1, 7.3, 8.1, 8.4, and 8.7	Item 11
h. Trademarks and proprietary information	Section 4 and Sections 12.1, 15.1.K	Items 13 and 14
i. Restrictions on products/services offered	Sections 8.4.A and 15.1.A(13)	Items 8 and 16
j. Warranty and customer service requirements	Sections 8.1 and 8.3 to 8.7	Not Applicable
k. Territorial development and sales quotas	Sections 8.7	Item 12
l. Ongoing product/service purchases	Section 9 and Sections 5.9 and 8.4	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 7.1 and 8.1	Items 6 and 17
n. Insurance	Sections 10.4 and 15.1.X	Items 6, 7 and 8
o. Advertising and Fund	Section 9 and Sections 5.6 and 15.1.Q	Items 6 and 11
p. Indemnification	Sections 4.1, 6.9, 7.1.E, 11.2, 15.4, and Exhibit 3	Item 6
q. Owner's participation/management/staffing	Sections 2.2.B, 5.5.A-B, 8.3, and 8.6	Item 15

r. Records and reports	Section 10.1	Item 11
s. Inspections and audits	Sections 8.2 and 10.2	Items 11
t. Transfer	Section 13.1.B(3), Section 14, and Section 15.1.M	Items 6 and 17
u. Renewal	Section 3.2	Item 17
v. Post-termination obligations	Section 13 and Section 15.3	Item 17
w. Non-competition covenants	Section 13, Sections 15.1.N and 15.3.I	Item 17
x. Dispute resolution	Section 16	Item 17
y. Guaranty	Section 2.2.B and Exhibit 3	Item 1, Exhibit D

## **ITEM 10**

### **FINANCING**

Except as described above, neither we nor any agent or affiliate offer direct or indirect financing to you. We do not guarantee your note, lease or other obligations. We do not receive any benefit, monetary or otherwise, from any lender.

No later than 30 days before the opening of your Studio, you must sign and deliver to us a credit card payment authorization, authorizing us to charge your credit card for amounts owed to us under the Franchise Agreement, or related agreements including, amounts owed for the purchase of merchandise, products or equipment from or through us, Royalties, Advertising Contributions, Website Maintenance and Intranet Fees, interest and late charges and other fees and charges. You will at all times during the term of the Franchise Agreement maintain a minimum available credit limit on this credit card in a dollar amount that we designate based upon the dollar volume of purchases of inventory, outstanding balance and payment history and other factors we determine. The failure to maintain a valid credit card available at all times for charging by us and with an available designated credit limit, shall constitute a default under the Franchise Agreement. You hereby authorize us to contact the issuer of the credit card to obtain information relating to the validity of the credit card and the credit limit.

Except as described above, neither we nor any agent or affiliate offer direct or indirect financing to you. We do not guarantee your note, lease or other obligations. We do not receive any benefit, monetary or otherwise, from any lender.

## ITEM 11

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

Except as listed below, Franchisor is not required to provide you with any assistance.

#### **Pre-Opening Assistance**

Before you open your Studio:

1. We will provide you (or, if you are an entity, your Operating Principal), as well as the person you appoint to manage your Studio (if appointed) (the "Key Manager"), with our proprietary Initial Training Program, that at least you (or, if appropriate, your Operating Principal) will need to complete prior to opening your Studio. We will typically provide the Initial Training Program within the thirty (30) days prior to your Studio opening, but that timing will be subject to the availability and schedules of our training personnel. We will provide the Initial Training Program at our corporate headquarters or other training facility we designate. (Franchise Agreement, Section 5.5 and 6.2). We will also provide you or another individual you designate as your prospective Authorized Initial Instructor Training with our Initial Instructor Training Program as described more fully below in this Item. (Franchise Agreement, Section 5.5)

2. If the Authorized Location for your Studio has not been identified at the time the Franchise Agreement is signed, we will work with you to designate a geographical area within which you must secure an Authorized Location for your Studio ("Site Selection Area"). (Franchise Agreement, Section 1.2). We will also comply with our obligations with respect to site selection assistance and site approval as set forth more fully below in Item 12.

3. Prior to you attending your required Initial Training Program, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may modify the Manual from time to time in our sole discretion. (Franchise Agreement, Section 6.3). The Table of Contents of the Manual is attached to this Disclosure Document as Exhibit F. The primary portion of the Manual currently consists of 294 pages.

4. We will provide you (through the Manual or otherwise) with specifications for the layout and design of the Studio (Franchise Agreement, Sections 6.1 and 6.3).

5. We will provide you (through the Manual or otherwise) with a list of the components of the Fitness Equipment, & Initial FF&E Package, other furnishings, other supplies, and signs to be used in the Studio, as well as a list of Approved Suppliers; however, we do not deliver or install these items at your Studio (Franchise Agreement, Section 6.5).

6. We will license you the use of the then-current Marks we designate for use in connection with the Studio (Franchise Agreement, Sections 4.1 and 4.2).

7. We will consult and advise you on establishing the Pre-Sales Phase and Opening Support Program. (Franchise Agreement, Section 6.8).

8. We may designate an architect that you must use at your own expense. We will make available to the architect a set of prototype plans and specifications (not for construction) for the Studio and for the exterior and interior design and layout. The architect will adapt for the Site our standard plans and specifications for the exterior and interior design and layout, fixtures, furnishings, signs, Trade Dress, and equipment for the Studio. We will review the architectural drawings and specifications for the construction of the Studio showing all leasehold improvements, interior designs, and elevations developed by the

architect (collectively “Plans”), which we must approve prior to their submission for permitting. (Franchise Agreement, Section 1.2).

9. You must provide us with written notice identifying your general contractor, and you must ensure that the contractor is duly licensed in your jurisdiction and adequately insured. You may not begin construction until we have given you written approval of the Plans and we have approved in writing your choice of general contractor. We may require you to use only general contractors that we have pre-approved, provided that one is available in your Site Selection Area. (Franchise Agreement, Section 1.2).

## **B. Site Selection Assistance and Time to Open**

### *Site Selection Assistance and Time to Open: Franchise Agreement*

We will review each site that the Real Estate Project Manager, broker or you identify and determine whether to accept it using our proprietary site selection assistance criteria, which may include evaluations of the proposed site by third-party site selection assistance software. You are responsible for the on-site evaluation of the proposed sites. If we determine that it is necessary for us to provide on-site evaluation assistance, we may, in our discretion, charge you a site selection fee (currently, \$500 per each of our employees or agents for each full or partial day, plus travel and living expenses). We are not required to complete our review within a certain period of time. In addition to certain demographic characteristics, we also consider the following factors in accepting a Studio location: traffic patterns; parking; character of neighborhood; competition from, proximity to, and nature of other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. (Franchise Agreement, Section 1.2).

While we will provide assistance and guidance, it is solely your responsibility to select a suitable site for the Studio.

You must secure a site that we have accepted by signing a site lease or purchase agreement within 120 days after the effective date of your Franchise Agreement (the “Site Acquisition Deadline”). We may extend this Site Acquisition Deadline in our sole discretion, and we may require you to execute a general release as a condition of us agreeing to grant such extension. If you do not secure a site for your Studio that we accept by the Site Acquisition Deadline, we may terminate the Franchise Agreement.

We estimate that the typical length of time between signing a Franchise Agreement and opening your Studio is approximately 180 days. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a site that we approve; to obtain any financing you need; to obtain required permits and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Studio, including the installation of fixtures, equipment, and signs; to complete Initial Training Program; and to complete the hiring and training of personnel. Inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors may cause delays in construction. You must open the Studio no later than 365 days after the effective date of the Franchise Agreement, within 180 days after we accept the site, and within 10 days after we approve your Studio opening (“Opening Deadline”). (FA Sections 1 and 7.3(G)). If you request our approval to open your Studio more than 240 days after the effective date of the Franchise Agreement and we approve your request, you must pay us an opening deadline extension fee equal to \$2,500 for each month (or portion of a month) for which the

Opening Deadline is extended. We may require you to execute a general release as a condition for us agreeing to such an extension.

We will approve your Studio opening, provided (i) we have viewed the certificate of occupancy, (ii) confirmed that you have complied with the Plans, and (iii) confirmed that you have complied with the pre-opening obligations set forth in the Franchise Agreement and have done so in accordance with our System Standards as set forth in the Manuals. (Franchise Agreement, Section 1.2).

Before you make a binding commitment to purchase, lease, or sublease a site, we must approve in writing the proposed lease or purchase agreement or any letter of intent between you and the third-party seller or lessor. If you lease the site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Rider in the form that is attached as an exhibit to the Franchise Agreement. We may require you to engage an attorney to review your lease or purchase agreement for the Site that we have accepted and to supply us with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you and the third-party seller or lessor. We will not provide you with any legal advice with respect to your lease or purchase of the site. Our review of the lease is for our benefit and is not intended to supplement or replace any review by a real estate attorney engaged on your behalf. You are strongly encouraged to engage competent legal counsel to assist in the review and negotiation of your site lease. (Franchise Agreement, Section 2.1).

### **Continuing Assistance**

During the operation of your Studio:

1. Upon your request and if approved by us, provide you with additional opening assistance with sales, promotional and operations matters regarding the Business. This assistance will be provided on days and times as mutually agreed upon by you and us. (Franchise Agreement, Sections 5.5(D) & (E)).

2. We will specify or approve certain equipment and suppliers to be used in your Studio (Franchise Agreement, Sections 6.5 and 7.1).

3. We will approve forms of advertising materials you will use for Local Advertising, Initial Grand Opening Marketing & Advertising Spend, and Cooperative Advertising (Franchise Agreement, Section 9.2).

4. At our discretion, we will make periodic visits to the Business for the purposes of consultation, assistance and guidance in various aspects of the operation and management of the Business and make available to you operational assistance and additional training as we deem necessary. You are responsible for any and all costs associated with such additional training (Franchise Agreement, Section 6.2).

5. We will provide such continuing advisory assistance and information to you in the development and operation of the Studio as we deem fit, which may include periodically providing advice and general guidance to you by telephone, e-mail, facsimile, newsletters, and other methods. Our advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies (Franchise Agreement, Section 6.4).

6. We will provide you with changes and additions to the System, the Manual, the Approved Suppliers, and the Approved Products and Services, as generally made available to all franchisees. (Franchise Agreement, Sections 6.3-6.5).

7. We (or our affiliates) will maintain and administer the Fund (Franchise Agreement, Section 9.1).

We may also decide to require fixed maximum or minimum prices for any products or services that you offer in connection with the Studio (Franchise Agreement, Section 6.6).

### **Advertising and Promotion**

#### *Local Advertising Requirement*

You are responsible for local marketing activities to attract members to your Studio. As part of your material obligations under your Franchise Agreement, you must spend at least \$2,500 per month on marketing and advertising materials that we approve in connection with the promotion of your Studio within your Designated Territory, either by way of direct promotion or participation in an Advertising Cooperative (your “Local Advertising Requirement”). Upon our request, you must provide us with an accounting of your monthly expenditures associated with your Local Advertising Requirement, along with invoices and other relevant documentation to support those expenditures. Please be advised that the Local Advertising Requirement is only the minimum amount you must spend each month, and we encourage you to spend additional amounts on the local promotion of your Studio. We may require that your minimum local advertising expenditure be allocated to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign. We reserve the right to require you pay any deficiency in your Local Advertising Requirement to us or our affiliate or designee. We are not required to spend any amount on advertising within your Designated Territory.

Prior to use or publication, we require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, or elsewhere for advanced written approval. You must first obtain our advanced written approval before employing any form of co-branding, or advertising with other brands, products, or services. (FA Section 9.2).

We may also require that any local marketing or advertising include reference (in a form we determine) to one or more franchise systems which may be owned by us or our affiliates; provided that a substantial focus of those materials, programs or activities includes the promotion of the Business.

Your advertising must be in such media, and of such type, format, and other particulars as we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. Any and all advertising and marketing materials (whether developed in connection with an Advertising Cooperative or otherwise) not prepared or previously approved by us must be submitted to us at least 14 days prior to any publication or run date for approval, which we may withhold for any or no reason. We will provide you with written notification of approval or disapproval within a reasonable time. If we do not notify you of approval or disapproval within 10 days of our receipt of the materials, the materials will be approved. You must discontinue the use of any approved advertising within five days of your receipt of our request to do so. You may not conduct advertising or promotion on or through the Internet/world wide web or other electronic transmission via computer without our express prior written approval. All of your advertising and promotion must be factually accurate and shall not detrimentally affect the Marks or the System, as we determine. You must use the telephone number provided by us in connection with all marketing initiatives. We are not required to conduct local advertising for you.

You must strictly follow our social media guidelines, code of conduct, and etiquette as set forth in the Brand Standards and/or Operations Manuals regarding social media activities. Any use of social media by you pertaining to the Studio must be consistent with our System standards and not linked to controversial,

unethical, immoral, illegal, or inappropriate content in our sole discretion. You will promptly modify or remove any online communication pertaining to your Studio that does not comply with the Franchise Agreement or the Manuals. (FA Section 11.4).

### *Grand Opening Marketing*

In addition to the Local Advertising Requirement, you are required to spend at least \$20,000 on certain sales and promotional activities that we designate or approve as part of your Grand Opening that we typically require you to conduct in at least the two months prior to the “soft opening” of your Studio through the launch and opening of your Studio (usually eight weeks after your soft opening). You may be required to expend all or some portion of these funds on products/services received from an Approved Supplier we designated or approve, and all materials used in connection with your Grand Opening Marketing program must be approved by us if not previously designated for use by us.

### *Marketing Fund*

The Fund was established to promote Studios and help promote and develop our System and brand generally. As of the date of this Disclosure Document, your Fund Contribution is two percent (2%) of your Studio’s Gross Sales. Fund Contributions will be payable from the earlier of (a) the date your Studio opens, or (b) the date the Studio receives a payment from a client in connection with Approved Services to be provided at any point. We may increase the Fund Contribution upon 60 days’ written notice to you. (Franchise Agreement, Sections 5.6 and 9.1).

The Fund is administered by us (or our affiliates), as we deem appropriate in our discretion. With that said, we may (at our option) also establish a marketing fund committee (the “MFC”) to help advise on matters related to the Fund. As of the date of this Disclosure Document we have not established the MFC but in the event we establish the MFC, the Fund will still be administered by us with the MFC serving in an advisory capacity only. The Fund will be maintained and operated by us (or our affiliates) to meet the costs of conducting regional and national advertising and promotional efforts, other brand development activities, as well as related technology used to implement the foregoing (i.e., digital marketing platform, System web portal) that we determine beneficial to the System, and employing advertising/public relations agencies to assist in advertising activities. The MFC, if established, will serve in an advisory capacity only. We will direct all advertising, marketing and public relations programs and activities financed by the Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. We have the power to form, change or dissolve the Fund and/or MFC. We will pay for these activities from the Fund. The Fund Contributions may be used for traditional and digital advertising activities, such as website development, social media, public relations, advertising campaigns (television, radio, print or other media), or other promotions which will raise awareness of our brand. (Franchise Agreement, Sections 6.8 and 9.1).

We are not obligated to ensure that Fund activities or dollars are spent equally, on a pro rata basis, either on your Studio, or all Studios in an area. A brief statement regarding the availability of System franchises may be included in advertising and other items produced using the Fund, but we do not otherwise expect to use the Fund primarily for any Franchise sales or solicitations as of the date of this Disclosure Document.

We (and our affiliates) will have the right to make disbursements from the Fund, as we determine appropriate to cover the costs and expenses associated with the marketing, advertising and promotion of the brand, Marks, System, Studio locations and/or the Approved Products and Approved Services, including: the cost of formulating, developing and implementing advertising and promotional campaigns; the reasonable costs of administering the Fund, including accounting expenses and the actual costs of

salaries and fringe benefits paid to our employees engaged in administration of the Fund and/or creation, development and/or placement of any creative and/or implementation of any campaigns associated with the same. The Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Fund. We are not required to audit the Fund, but we may retain independent certified public accountants to prepare an annual audit of the Fund, at the expense of the Fund, and may send a statement of marketing and fund expenditures to franchisees upon written request, provided such written request is received by us no later than 180 days following the fiscal year end. Our company-owned or affiliate-owned Studios, if and when operating, are not required to contribute to the Fund at the same rate as franchisees. As of the date of this Disclosure Document, all franchisees will contribute to the Fund at the same rate as you. Should the Fund Contribution for the System decrease at any time, we have the right to reduce our contribution from company-owned or affiliate-owned Studios to the rate specified for franchised locations.

We are not required to spend all Fund Contributions in the fiscal year they are received. You agree to participate in all Fund programs. The Fund may furnish you with marketing, advertising and promotional materials; however, we may require that you pay the cost of producing, shipping and handling for such materials.

In the 2024 fiscal year, our predecessor and we collectively collected \$28,208 and spent 100% of the Advertising Fund on Internet marketing including digital ads on social media, newsletters, the “NB blog” and enhancements to the website. Neither we nor our predecessor spent any of the Advertising Fund on soliciting franchisees.

### **Local Advertising**

You are also required to spend \$1,000 on average each calendar quarter, on local advertising. You must submit quarterly reports to us accounting for the use of these funds. You may create your own advertising and promotional materials; however, all local advertising and promotion by you must be in a media and format that we approve, be conducted in a dignified manner and conform to our standards. You may not use any advertising or promotional plans or materials, including electronic or Internet advertising, unless and until you have first received written approval from us.

### *Cooperative Advertising*

We have not yet established a local or regional Co-Op. We may, in the future, decide to form one or more associations and/or sub-associations of Studios to conduct various marketing-related activities on a cooperative basis. If one or more Co-Ops (local, regional and/or national) are formed covering your Authorized Location, then you must join and actively participate. You may be required to contribute such amounts as are determined by such Co-Ops. (Franchise Agreement, Section 9.4).

If established, we have the right to (a) allocate any portion of the Marketing Fund to a Cooperative Advertising program, and (b) collect and designate all or a portion of the Local Advertising for a Cooperative Advertising program. We will determine the geographic territory and market areas for each Cooperative Advertising program and notify each franchisee of their obligations to participate, in writing. We expect that any Advertising Cooperatives will include all units operating in a single advertising market. We may require cooperatives to be changed, dissolved, or merged. We have not established any requirements relating to the form, content, or availability of the financial statements, if any, for a Cooperative Advertising program, but we anticipate that any financial statements prepared by a Cooperative Advertising program will be available to each franchisee who is a member and to us. You must participate in any Cooperative Advertising program established in your region, and we may establish an Advertising Council for you and the other franchisees in that region to self-administer the program. Franchisee’s payments to any Advertising Cooperative shall be determined by Franchisee and those other franchisees of

the Row House System and/or Franchisor, as the case may be, who are participants in such Advertising Cooperative, as set forth in the by-laws of that Advertising Cooperative or membership, dues, participation or other payment agreements of such Advertising Cooperative. You, however, may not be required to spend more than the greater of \$10,000 or 2% of Gross Sales per annum in connection with any Advertising Cooperative (Franchise Agreement, Section 5.6). Any Franchisor-owned outlet that participates in an Advertising Cooperative will contribute on the same basis as other participants.

#### *Advertising Council*

We reserve the right to form an advertising council consisting of Row House Businesses (the “Advertising Council”) in which you may be required to participate and provide advice and counsel regarding our use of the Marketing Fund. If formed, we will select members of the Advertising Council based on a variety of objective and subjective factors, including volume of business, collaborative disposition, availability, and personal interest, among others. The Advertising Council will function in an advisory capacity only and will not exercise authority over the Marketing Fund or over us. We have not established any governing documents for the Advertising Council. We reserve the right to change or dissolve the Advertising Council. You may be required to pay your own expenses associated with participating in Advertising Council activities and pay dues assessed for the administration of the Advertising Council. We will pay our proportionate share of Advertising Council dues based on the number of Row House Businesses we or our affiliates operate. From time to time, we may also seek input or feedback from the Advertising Council on System operational issues or other matters beyond advertising.

#### **Franchise System Advisory Council**

As of the date of this Disclosure Document, we do not sponsor a franchise system advisory council (“Advisory Council”). We retain the authority to form, change and dissolve an Advisory Council.

#### **Software, Computer and Website**

We will provide client journey email and SMS campaigns and continued optimization of these campaigns and campaigns for other key revenue driving initiatives

You must purchase or lease a Computer System for your office which meets our standards and specifications, including the performance of designated office administration functions. The Computer System includes an Apple iMac, Apple MacBook Pro or other device approved by us, and a multi-function inkjet printer, scanner and copier.

You must purchase and use a POS System and other technology systems that meet our standards and specifications. The POS System is loaded with customized Xplor Technologies software. The software allows you to schedule classes, set-up appointments and recurring appointments, record the sale of membership packages and track their use, record customer contact information, communicate with your customers via email and text messaging, record and track payment plans, track instructor schedules and run detailed reports including payroll and sales tax. You must use the credit card processing system that we designate and you may choose to purchase optional hardware to read credit cards that is compatible with this system. You must maintain and update the POS System and the Computer System from time to time as we may specify; we have no obligation to provide maintenance or upgrades to these systems. We reserve the right to change software vendors at our discretion.

The cost to purchase the Computer System ranges from \$1,000 to \$3,000. See Item 7. As of the date of this Disclosure Document, the monthly fee for the POS System through Xplor Technologies is \$382. This amount is subject to increase.

The POS System and Computer System used must allow you to record sales in a format designated by us and provide you with information necessary to prepare financial statements and other reports in accordance with our standards and specifications. The POS System, Computer System, and other technology systems must be installed, configured, and integrated in accordance with our standards and specifications.

We require you to join and pay for a high-speed electronic network connection service which meets our standards and specifications to facilitate communication between you and us and among all Neighborhood Barre franchisees. We have the right to independently access all Computer System and POS System information. We have no contractual limitation on our right to receive information through the Computer System or the POS System. We may revise our standards and specifications. We may require you to upgrade and update your POS System and Computer System, including the software, and other technology systems, during the term of your Franchise Agreement. No contractual limitation exists on the frequency or cost of this obligation. We and third parties may (i) develop additional proprietary software or other technology systems for use in Neighborhood Barre Studios and charge you a license or other fee to license or purchase such software or other technology; (ii) derive revenue from computer software or other technology systems maintenance and upgrade fees, in the event other proprietary software or other technology systems are developed or required to be used in your Studio; and (iii) require that you participate, at your cost, in all credit card or other payment programs, in all electronic data capture, maintenance and warranty, electronic communication services or other similar programs that we deem mandatory.

### **Training Programs**

The initial training program consists of two parts, one for a Principal Operator and one for Certified Instructors. The Principal Manager training consists of 12 webinars conducted online weekly or bi-weekly, plus a variety of homework assignments to perform in your Studio. The Certified Instructor training consists of 5 online webinars, one each week, and up to 4 days of in-person training at our designated training location. We provide you with written manuals for use in conjunction with each part of the training. We may waive all or a portion of the training program, if you or your Principal Manager have sufficient prior experience or training, in our sole determination. If the Principal Operator role is shared, both may attend training at the same time. We offer you and/or your lead instructor the ability to attend Instructor Training prior to your initial team training. You will be responsible for all of your travel and lodging expenses if you choose to attend additional Instructor Trainings. Upon completion of your opening team Level 1 Instructor training, all trainees must formally test out with your assigned Corporate Trainer. No employee may teach any classes until completing the new Instructor Training Program to our satisfaction. Once your team becomes certified, they will be required to complete a Level 2 Instructor Training at your expense. This training can be performed either in-person or virtually at our discretion. We schedule your initial training program so that it is completed 30 days prior to your opening date.

Up to five (you and 4 trainees) individuals are eligible to participate in our initial training program without charge of a tuition or fee. You must pay salaries and all transportation and living expenses which are incurred by your personnel in connection with attendance at the training program. At least one individual who will be responsible for the daily management of the Studio must complete both parts of the initial training program to our satisfaction. We will make the initial training program available to replacement or additional Principal Operators and to new instructors during the term of the Franchise Agreement. We charge a tuition or fee, commensurate with our then current published prices, for this training, payable in advance and you must pay all travel and living expenses which are incurred by your personnel when they attend our training program. The availability of the training program to replacement or additional Principal Operator and instructors will be subject to prior commitments to new franchisees and is scheduled on a space available basis. To maintain a person's Certified Instructor status, he or she

must remain up to date on all released exercises and choreography, complete any new training programs that are released by the Training Department, and must be actively engaged in class instruction on a regular basis. Should you have an Instructor return after one year or more, or after significant changes to class formats or choreography have been released, that Instructor will be required to complete additional training at our discretion.

We may decide to travel to your Studio for up to two (2) days to provide additional operational assistance at your Studio within six months of the date that you open your business, unless you are opening a third or subsequent Studio and we determine you or your Principal Operator has sufficient prior experience.

We may occasionally present webinars, conventions, continuing development programs or conduct meetings for your benefit. You or your Principal Operator or Certified Instructors must attend certain webinars, conventions, programs or meetings offered by us during the term of your Franchise Agreement, when we announce them as being mandatory. We will give you at least 30 days written notice before any webinar, convention, program or meeting at which we will require attendance. We have a mandatory annual owner's conference that you are required to attend. Should you choose not to attend for any reason, we reserve the right to charge you a non-attendance fee. Should you choose to bring a Principal Manager or Operator, each additional person will be charged a ticketed price at our discretion. You or your employees may be required to complete on-line training seminars up to 2 times each year. We may also require you or your Principal Manager or Certified Instructors to attend or participate in, at your expense, local or regional seminars or meetings up to 1 time per year. We may charge a tuition or fee for training. You will also be responsible for all travel and living expenses which are associated with attendance at such programs.

Training will be conducted after you have signed a Franchise Agreement. All training attendees must sign a Confidentiality and Non-Disclosure Agreement prior to attending any program. Your Operator training will be hosted by Nb Corporate staff and our affiliates. The Instructor Certification Training will be led by certified Neighborhood Barre Master Trainers who have undergone our Master Training onboarding program. We currently provide the following initial training to franchisees:

### **PRINCIPAL OPERATOR TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location<sup>1</sup></b>
Personnel: Sales staff, Instructor Team and training process	3	1	Your Studio or Virtually
Studio Operations, Reporting, Sales and Marketing	14	10	Your Studio or Virtually
Studio Administration, Class Scheduling, Pricing	2	1	Your Studio or Virtually
Retail and Approved Suppliers	2	1	Your Studio or Virtually
Software, Website and Digital Platforms	4	5	Your Studio or Virtually
Review of Electronic Operations Manual	0	5	Location chosen by you
Other	5	5	Your Studio or Virtually
<b>Total Management Training</b>	<b>30</b>	<b>28</b>	

## CERTIFIED INSTRUCTOR TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location <sup>1</sup>
Virtual LIVE Training	5	5	Virtual, Home Studio
Foundation of Choreography	7	0	Virtual
In Person Training Weekend	22	0	Corporate Training Location
Team Teach	5	5	Home Studio
Other	3	2	Virtual, Home Studio
<b>Total Certified Instructor Training</b>	<b>42</b>	<b>12</b>	

1 We may designate an alternative location.

### ITEM 12

#### TERRITORY

##### Franchise Agreement

###### *Authorized Location*

You will operate your Studio at the Authorized Location. Once you have identified your Authorized Location and we accept the proposed site, we will designate the Designated Territory around the Authorized Location within which you will have certain protected rights.

You will not be permitted to relocate your Studio without our prior written approval, which may be withheld in our discretion. We reserve the right to assess a relocation fee of \$5,000 at the time you submit the proposed location for your relocated Studio. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement. If we approve your relocation request, we retain the right to approve your new site location in the same manner and under the same terms that are applied to your first site selection.

###### *Designated Territory*

Your Designated Territory will typically contain a maximum of 50,000 people which will be approximately a two-mile radius around your Studio's Authorized Location, unless your Studio is located in a major metropolitan downtown area or similarly situated/populated central business district (a "Central Business District"). If your Studio is located in a Central Business District, your Designated Territory will typically contain up to 50,000 people but may be limited to a geographic area comprised of anywhere from a radius of two blocks to two miles around your Studio, as we deem appropriate in our discretion. The size of your Designated Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Studio.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. If we determine, in our discretion, to base your Designated Territory on population, then the sources we use to determine the population within your Designated Territory will be supplied by (a) the territory mapping software we

determine to license or otherwise use, or (b) publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

Importantly the size of your Designated Territory may vary from the area granted to other franchisees based on the location and demographics surrounding your Studio. Your Designated Territory may not be comprised of a typical radius around your Studio location if such a radius would encompass the location of another previously developed Studio.

If you have been granted a Designated Territory, neither we nor our affiliates will open or operate, or authorize any third party the right to open or operate, another Studio utilizing the Marks and System from a physical location within your Designated Territory. As such, your Designated Territory is deemed “exclusive” under applicable franchise disclosure laws. Please note our reserved rights described later in this Item.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise of present or future Studios, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Studios or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to your Designated Territory and whether or not they provide services similar to those that you offer. You do not have any rights with respect to other and/or related businesses, products and/or services, in which we may be involved, now or in the future. Your Designated Territory will not be modified by us for any reason so long as you are not in default of your Franchise Agreement, except in cases where (a) your requested relocation of your Studio is approved and you relocate, and/or (b) at the time of any requested renewal or proposed assignment of the franchise, the population of the Designated Territory is over 50,000. In such cases, we may move or modify the size of your Designated Territory.

If the Site for your Studio has not been agreed upon when you sign the Franchise Agreement, we will specify a non-exclusive Site Selection Area in which you may locate the Site. Your Site Selection Area is not exclusive and is only intended to give you a general indication of the area within which you may locate the Site for the Studio. If we accept your proposed Site and you secure it, the Site will be added to the Franchise Agreement.

#### *Rights Within and Outside the Designated Territory*

While you and other Studios will be able to provide the Approved Services to any potential client that visits or otherwise reaches out to your Studio, you will not be permitted to actively solicit or recruit clients outside your Designated Territory, unless we provide our prior written consent.

You will not be permitted to advertise and promote your Studio via advertising that is directed at those outside your Designated Territory without our prior written consent, which we will not unreasonably withhold provided (a) the area you wish to advertise in is contiguous to your Designated Territory, and (b) that area has not been granted to any third party in connection with a Studio of any kind.

We may choose, in our sole discretion, to evaluate your Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service.

## **Reserved Rights**

We and our parents/affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement (as appropriate): (i) establish and operate, and license any third party the right to establish and operate, other Studios and Studios using the Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Studio under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and, if applicable, the Development Area; (iii) use the Marks and System, as well as other such marks we designate, to distribute any Approved Products and/or Approved Services in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including the Internet and other e-commerce channels and streaming platforms; wholesale stores, retail stores, catalog sales, etc.) as further described below; (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products and Approved Services (but under different marks), within or outside your Designated Territory(ies) and, if applicable, Development Area; (v) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement; and (vi) open and operate, or license third parties the right to open or operate, Studios at “Non-Traditional Sites” both within and outside the Designated Territory and, if applicable, Development Area. “Non-Traditional Site” means any location that is situated within or as part of a larger venue or facility and, as a result, is likely to draw the predominance of its customers from those persons who are using or attending events in the larger venue or facility (for example, “big box” gyms and/or fitness facilities, cruise ships, military bases, shopping malls, airports, sports facilities and stadiums, industrial or office complexes, hotels, train stations and other transportation facilities, travel plazas, casinos, hospitals, theme parks, convention centers, colleges/universities, multi-unit residential properties, and other similar captive market locations).

The Franchise Agreement does not grant you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our parent/affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Designated Territory.

## **Internet Sales / Alternative Channels of Commerce**


We may sell products and services to members located anywhere, even if such products and services are similar to what we sell to you and what you offer at your Studio. We may use the internet or alternative channels of commerce to sell products and services branded with the Marks. You may only sell the products and services from your Studio’s Authorized Location, and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us, in order to register members for classes. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet or otherwise. We retain the right to approve or disapprove of such advertising, in our sole discretion. Any use of social media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We may "occupy" any social media websites/pages and be the sole provider of information regarding the Studio on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining members over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. We have not established, nor do we presently intend to establish, other franchised or company-owned businesses that are similar to the Studio and that sell our Approved Products and Approved Services under a different trade name or trademark, but we may do so in the future without your consent. Certain of our affiliates are involved with franchising and other activities as previously disclosed in Item 1 of this Disclosure Document, and such affiliates may continue conducting franchising and other activities.

### **ITEM 13**

#### **TRADEMARKS**

We grant you the right to use the Marks we designate for use in connection with your Studio as part of the license rights you are granted under each Franchise Agreement you enter into with us, provided you only use the Marks in connection with your Studio operations and in strict accordance with the terms of your Franchise Agreement and any Manual or other written directives from us. The following Marks are registered and owned by us on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Design	Registration Date	Registration No.
NEIGHBORHOOD BARRE	N/A	June 19, 2012	4,162,037
nb   Neighborhood Barre and design		April 14, 2020	6,032,981

We expect and intend to submit all affidavits and other filings necessary to maintain the registrations above. There are no presently effective determinations of the United States Patent and Trademark Office, the trademark administrator of any State, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any State. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the System. We have filed all required affidavits for the Marks and will continue to do so.

You must follow our rules when you use the Marks. You cannot use our name or any of the Marks as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. You must not use any other trade names or trademarks in the operation of the Studio without first obtaining our written consent. You must not establish a website on the Internet using any domain name containing the Marks or any variation thereof without our written consent. We retain the sole right to advertise on the Internet and create a website using the Marks as domain names.

If it becomes advisable, in our sole discretion, for us to modify or discontinue use of any of the Marks, or use one or more additional or substitute Mark, you must comply with our directions to modify or otherwise discontinue the use of such Mark within a reasonable time after notice by us. We will not be obligated to compensate you for any costs you incur in connection with any such modification or discontinuance.

You cannot seek to register, re-register, assert claim to ownership of, license or allow others to use or otherwise appropriate to itself any of the Marks or any mark or name confusingly similar to them, except insofar as such action inures to our benefit and has our prior written approval. Upon the termination or

cancellation of the Franchise Agreement, you must discontinue use of the Marks, remove copies, replicas, reproductions or simulations thereof from the premises and take all necessary steps to assign, transfer, or surrender to us all Marks which you may have used in connection with the Franchise Agreement.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so; however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations, and we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

You must use the Marks as the sole trade identification of the Business. You may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

We are not aware of any prior superior rights or infringing uses that would materially affect your use of the Marks. There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks.

## **ITEM 14**

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

You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual. Item 11 describes the Manual and the limitations on the use of the Manual by you and your employees.

We have no registered copyrights or pending patent applications that are material to the Franchise. However, we claim copyrights on certain forms, advertisements, promotional materials, software source code and other Confidential Information as defined below.

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

All information relating to the System and to the development and operation of Studios (including your Studio), including, without limitation, the Manual, our training programs, members and supplier lists, customer data, or other information or know-how distinctive to the development or operation of a Studio (all of the preceding information is the “Confidential Information”) is considered to be proprietary and trade secrets of Franchisor. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates, or any personnel or any information of your employees and other personnel. We disclose to you

Confidential Information needed for the operation of a Studio, and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

Both during and after the term of your Franchise Agreement, you must use the Confidential Information only for the operation of your Studio under a Franchise Agreement; maintain the confidentiality of the Confidential Information; not make or distribute, or permit to be made or distributed, any unauthorized copies of any portion of the Confidential Information; and follow all prescribed procedures and regulations for prevention of unauthorized use or disclosure of the Confidential Information.

We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Studio that you or your employees conceive or develop.

You also agree to fully and promptly disclose all ideas, techniques and other similar information relating to Studios or the Franchise that are conceived or developed by you and/or your employees. We will have a perpetual right to use, and to authorize others to use, those ideas, etc. without compensation or other obligation.

## **ITEM 15**

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

Your Business must always be under the direct, “on-premises”, full-time supervision of a Key Manager, which is you if you are an individual, or is an individual you select if you are a business entity. The Key Manager must meet our minimum standards and must attend and satisfactorily complete our initial training program before opening the Business. Your Key Manager must also satisfactorily complete the on-the-job training program before opening your Franchise. You must keep us informed of the identity of your current Key Manager. If you are a corporation or other business entity and the Business is under the supervision of a Key Manager, he or she does not have to be one of your owners or otherwise have an equity interest in the Business.

If you are not an individual, all principals of your organization (i.e., persons or partners who sign the Franchise Agreement and in the case of a corporation, partnership, or limited liability company, the shareholders, partners, managers or members of that organization and their respective spouses), must sign the Guaranty Agreement presented as an exhibit to the Franchise Agreement as Attachment 6, as we deem necessary for adequate security. This is a personal guarantee of the obligations under the Franchise Agreement. This Guaranty Agreement gives us the right to collect any amounts due to us from each guarantor personally.

As described in Item 14, individuals having access to Confidential Information are required to execute the Personal Covenants contained in the Franchise Agreement as Attachment 2, which are substantially the same as the noncompetition, non-solicitation and confidentiality covenants contained in the Franchise Agreement.

The Franchise Agreement is signed by us, by you, and the “Designated Principal(s)” of your Franchised Business. The Designated Principal (s) (there may be up to two such individuals, but only one address to which we communicate in regard to the franchise) named has the authority to act for you in all matters relating to the Row House Franchise. By signing the Franchise Agreement, you and the Designated Principal (s) agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance

under the Franchise Agreement. Depending on the type of business activities, which must be fully disclosed prior to signing this document, in which you or your Designated Principal(s) may be involved, we require you and/or your Designated Principal(s), and Key Manager to sign additional confidentiality and non-competition agreements.

We will not unreasonably withhold our approval of any Key Manager you propose, provided the individual has successfully completed the operator module of the initial training and, if that individual will be providing any Approved Services and/or any kind of personnel training in the future.

You are solely responsible for the hiring and management of the Studio personnel, including all Instructors, for the terms of their employment (or engagement) and for ensuring their compliance with any training or other requirements established by us. You will keep us advised, in writing, of any Key Manager involved in the operation of the Studio and their contact information.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You may only operate your Studio from an approved retail location selected by you with our approval, and you must not use, or permit the use of, that retail location for any other purpose without our written consent. You must operate your Studio in strict conformity with the methods, standards, and specifications in the Manual and as we may require otherwise in writing. You may not deviate from these standards, specifications, and procedures without our written consent.

You must offer all the services and products we specify in strict accordance with our standards and specifications as set forth in the Manual. We have the right, using our reasonable business judgment, to specify the maximum prices at which you must offer some or all the products and services. You may not sell any services or products that we have not authorized, and you must discontinue offering any services or products that we may, in our sole discretion, disapprove in writing at any time. If your Studio is a conversion, then you must stop using all products, supplies, and equipment that we have not approved or that does not conform to our System.

We may periodically change the required or authorized products or services for Franchised Businesses. There are no limits on our right to do so. If we modify the System, you may be required to add or replace equipment, signs, and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

Subject to applicable law, and in accordance with your Opening Support Program and the System Standards, you must begin offering and selling memberships for your Studio upon commencement of the Pre-Sale Phase.

## **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 3.1	Begins on the Effective Date of your Franchise Agreement and continues for 10 years from that date.
b.	Renewal or extension of term	Section 3.2	If you meet the conditions, you may enter into 3 successor 5-year terms.
c.	Requirements for renewal or extension	Section 3.2	You have notified us of your intent to renew at least 6 months in advance but no more than 12 months in advance; you have signed our then-current form of franchise agreement, which may have materially different terms and conditions than your original Franchise Agreement (including a modified fee structure and Protected Area); you have refurbished the Studio to our then-current specifications; you have executed a general release in favor of us and our affiliates; your Operating Principal and Key Manager have completed our then-current training requirements; you have secured from your landlord the right to continue operating at the Site; you have substantially and timely complied with the Franchise Agreement during the term; no Event of Default (as defined in the Franchise Agreement) or event which, with the giving of notice or passage of time or both, would become an Event of Default, exists; and you have paid us the Successor Fee.
d.	Termination by franchisee	Section 15.5	If we commit a material breach of the Franchise Agreement and we fail to cure the breach or take reasonable steps to begin curing the breach within 60 days after receiving notice from you, you may terminate the Franchise Agreement (subject to state law).
e.	Termination by franchisor without cause	Not Applicable	None.
f.	Termination by franchisor with cause	Section 15.1	We can terminate only if you default under the Franchise Agreement, any other individual Franchise Agreement, the Development Agreement (except that we cannot terminate the Franchise Agreement if the default under the Development Agreement is only due to your failure to comply with the Development Schedule), or any other agreement between you and us (see (g) and (h) below).
g.	“Cause” defined – curable defaults	Sections 15.1 and 15.2	You have 10 days to cure the non-payment of any amounts owed to us or our affiliates or your failure to make sufficient funds available to us; 24 hours to cure non-compliance with any law, regulation or ordinance which results in a threat to the public’s health or safety; and 30 days to cure a failure to comply with any other provision of the Franchise Agreement not described above or in (h) below.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
h.	“Cause” defined – non-curable defaults	Sections 15.1 and 15.2	You make a material misrepresentation to us; your Required Trainees fail to satisfactorily complete Initial Training; you fail to secure a site by the Site Acquisition Deadline; you fail to open on time; you fail to timely renovate your Studio; you fail to rebuild your Studio after its destruction; you suspend operations of the Studio for more than 5 days without our consent; you fail to communicate with us; your representatives miss 2 or more required meetings; you or any of your Owners or officers or directors is convicted or pleads nolo contendere to a crime involving moral turpitude or consumer fraud or any other crime or offense or engages in any activities which impairs the goodwill associated with the Marks; you misuse the Marks; you disclose Proprietary Information; you or your Owners make an improper transfer; you or your Owners violate the noncompete covenants of the Franchise Agreement; you become insolvent or bankrupt; you fail to pay suppliers and trade creditors an amount exceeding \$2,000 for more than 60 days; you fail to pay your taxes; you underreport Gross Revenue by more than 2% twice in a 2-year period or by 5% in any period; you fail to permit us to inspect or audit your books and records; you fail to timely file reports three times in 12 months; you or your affiliates default under any other agreement with us or our affiliates (including the Development Agreement) if such default would permit the termination of that agreement; or you are in default 3 or more times within any 18-month period. If any event of default occurs under the Development Agreement that would permit the termination of that agreement, we may terminate any previously executed Franchise Agreement (regardless of whether we exercise the right to terminate the Development Agreement); provided, however, that your failure to open and operate Studios in accordance with the Development Schedule will not constitute cause for us to terminate any previously executed Franchise Agreement.
i.	Franchisee’s obligation on termination/non-renewal	Section 13.1 and Section 15.3	Pay all amounts due to us or our affiliates; discontinue use of the Marks and the System; return Proprietary Information, customer data, and Manuals; close vendor accounts; cancel assumed name registration; cancel or transfer telephone number, post office boxes, domain names, social media accounts, and directory listings; complete de-identification of the Site; reimburse customers; refrain from disclosing Proprietary Information; and comply with noncompete covenants (also see (o) and (r) below).
j.	Assignment of contract by franchisor	Section 14.6	No restriction on our right to assign.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
k.	“Transfer” by franchisee definition	Section 14.1	Includes transfer of the Franchise Agreement, any interest in the Franchise Agreement, the license to use the System and the Marks, the Studio or substantially all of the assets of the Studio, or an interest in the ownership of the Studio (if you are an entity).
l.	Franchisor approval of transfer by franchisee	Sections 14.1 and 14.2	We have the right to approve all transfers.
m.	Conditions for franchisor approval of transfer	Section 14.2	In addition to any other conditions that we reasonably specify, you pay us a non-refundable deposit to review the transfer; you pay us the Transfer Fee; all of your monetary obligations are satisfied; you are not in default; you and your Owners sign a general release; you and your Owners remain liable for obligations incurred or arising prior to transfer; you comply with noncompetition and confidentiality provisions; your landlord consents to the transfer of your lease; new franchisee agrees to discharge all of your obligations; new franchisee qualifies, meets training requirements, and signs then-current franchise agreement; new franchisee upgrades the Studio to our then-current specifications; new franchisee covenants to continue to operate the Studio under the Marks; new franchisee’s owners execute our then-current form of personal guarantee; we determine purchase price and payment terms acceptable; and financing arrangements, if any, are subordinate to your obligation to pay all amounts due to us and our affiliates and otherwise to comply with the Franchise Agreement.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 14.5	We can match any offer for your Studio, the Studio’s assets, or any ownership interest, except for certain transfers to spouse or children or upon death, incapacity, or bankruptcy.
o.	Franchisor’s option to purchase franchisee’s business	Sections 14.5 and 15.3	After the Franchise Agreement terminates or expires, we can purchase any or all of the inventory, supplies, Operating Assets, and other assets related to the operation of your Studio for the fair market value of the assets, less any amounts then owing to us. We also may assume your lease or sublease or equipment leases.
p.	Death or disability of franchisee	Section 14.3	Executor or representative must transfer your interest to a third party approved by us within 120 days.
q.	Non-competition covenants during the term of the franchise	Section 13	You and your owners, principals, or guarantors (“Restricted Parties”) may not, without Franchisor’s prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			person or entity: (i) teach or lead, or train individuals to teach or lead, any barre-based fitness classes or classes that include a barre component (“Competitive Classes”) at any location in the United States or via any alternative channels of distribution, such as the Internet, webinar, or other video services; (ii) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (a) any fitness studio or similar facility or business that generates 25% or more of its revenue from Competitive Classes or (b) any entity that grants franchises or licenses for any of these types of businesses (collectively, each, a “Competitive Business”) at any location in the United States; (iii) divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Classes or Competitive Business, by direct or indirect inducement or otherwise; (iv) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (v) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Studio
r.	Non-competition covenants after the franchise is terminated or expires	Section 13 and Section 15.3	For 2 years after the expiration, termination, or transfer of your Franchise Agreement, the restrictions in (q) shall apply, except the restrictions in (i) and (ii) shall be geographically limited to any location within a 10-mile radius of your former Studio or any other Studio that is operating or under development at the time of such event.
s.	Modification of the Franchise Agreement	Section 19	Except for modifications to the Manuals, no modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 19	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises made outside of this Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 16	Prior to filing most proceedings, a party must submit the dispute to internal dispute resolution and then non-binding mediation.
v.	Choice of forum	Section 16.5	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in Charlottesville, VA (or the city in which our principal place of business is then located, if we no longer have an office in Charlottesville, VA).
w.	Choice of law	Section 16.1	Virginia law applies, except disputes over the Marks will be governed by the United States Trademark Act of 1946

	Provision	Section in Franchise Agreement	Summary
			(Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and unless individual state law directs otherwise.

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit I, entitled State Addenda to the Franchise Disclosure Document, Franchise Agreement, and other Agreements.

### **ITEM 18**

#### **PUBLIC FIGURES**

We do not currently use any public figure or personality to promote the Franchise being offered in this Disclosure Document.

### **ITEM 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The chart below presents historic results of operations as reported by franchised Neighborhood Barre Studios.

**Some Neighborhood Barre Studios have earned the amounts reported below. Your individual results may differ. There is no assurance that you will earn as much.**

#### **GROSS SALES OF FRANCHISED STUDIOS**

The Studios included in the charts below represent all 18 of the franchised Neighborhood Barre Studios that were in business as of December 31, 2024 and reported Gross Sales for each of the preceding 12 months. The chart below presents the actual average monthly Gross Sales of 18 franchised Neighborhood Barre Studios as reported to our predecessor by each Studio over a 12-month period.

The chart excludes 1 Neighborhood Barre Studio that was not renewed during the 2024 fiscal year and therefore was not open for the full 2024 fiscal year.

#### **Chart 1**

Category	High	Low	Average	Median
Gross Sales *	\$240,056	\$88,543	\$160,620	\$154,731.67
Expenses as % of Revenue **	37.94%	66.59%	53.30%	42.07%

\*Percent of Studios Who Met or Exceeded the Average: 39%.

**Notes for Chart 1:**

- <sup>1</sup> “Gross Sales” means the total revenue received by the Studio from the sale of services and products, including sales made away from the Studio, less taxes, discounts, and refunds.
- <sup>2</sup> “Expenses” means monthly rent payments, plus pass-through expenses from the landlord, labor, payroll taxes and benefits, music licenses, average royalties and ad fund, software costs, and tech fees.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you 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 Paul Flick at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, (877) 827-8074, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**  
**SYSTEMWIDE OUTLET SUMMARY**  
**FOR YEARS 2022 TO 2024**

Table 1

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	<b>2022</b>	<b>13</b>	<b>20</b>	<b>+7</b>
	<b>2023</b>	<b>20</b>	<b>19</b>	<b>-1</b>
	<b>2024</b>	<b>19</b>	<b>19</b>	<b>0</b>
<b>Company Owned</b>	<b>2022</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2023</b>	<b>1</b>	<b>2</b>	<b>+1</b>
	<b>2024</b>	<b>2</b>	<b>3</b>	<b>+1</b>
<b>Total Outlets</b>	<b>2022</b>	<b>14</b>	<b>21</b>	<b>+7</b>
	<b>2023</b>	<b>21</b>	<b>21</b>	<b>0</b>
	<b>2024</b>	<b>21</b>	<b>22</b>	<b>+1</b>

<sup>1</sup> All numbers are as of December 31st of each year.

**Table 2**

**TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(OTHER THAN FRANCHISOR)  
FOR YEARS 2022 TO, 2024**

State	Year	Number of Transfers
Tennessee	2022	1
	2023	3
	2024	1
Texas	2024	1
<b>Totals</b>	<b>2022</b>	<b>1</b>
	<b>2023</b>	<b>3</b>
	<b>2024</b>	<b>2</b>

1 All numbers are as of December 31st of each year.

**Table 3**

**STATUS OF FRANCHISED OUTLETS  
FOR YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of Year
Alabama	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
Georgia	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Kentucky	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Louisiana	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
North Carolina	2022	3	2	0	0	0	0	5
	2023	5	0	1	0	0	0	4
	2024	4	0	0	0	0	0	4
	2022	6	0	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Outlets at End of Year
Tennessee	2023	6	1	0	0	1	0	6
	2024	6	2*	0	1	0	0	7
Texas	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Virginia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
<b>Totals</b>	2022	<b>13</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>
	2023	<b>20</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>18</b>
	2024	<b>18</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>19</b>

1 All numbers presented above are as of December 31st of each year.  
 \*Adding a previously omitted unit to reconcile.

**Table 4**  
**STATUS OF COMPANY/AFFILIATE-OWNED OUTLETS**  
**FOR YEARS 2022 TO 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Tennessee	2022	2	0	0	0	0	2
	2023	2	0	1	0	1	2
	2024	2	1	0	0	0	3
<b>Totals</b>	<b>2022</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2024</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

1 All numbers presented above are as of December 31st of each year.  
 2 As noted in Item 1, one of these locations is operated by Barre Skinny and one is operated by NBL.

**Table 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31, 2024, FOR 2025**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Georgia	0	1	0
Illinois	0	1	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
North Carolina	0	1	0
New York	0	0	0
Tennessee	1	2	0
South Carolina	0	0	0
<b>TOTALS</b>	<b>1</b>	<b>6</b>	<b>0</b>

A list of the names, addresses and telephone numbers of our current franchisees as of the date of this Disclosure Document is attached as Exhibit C. A list of the names, addresses and telephone numbers of our franchisees who have had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the issuance date of this Disclosure Document is attached as Exhibit D.

In the last three fiscal years, we have required franchisees to enter into confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

If you buy the franchise offered in this Disclosure Document, your contact information may be disclosed to other buyers when you leave the franchise system.

**Trademark-Specific Franchisee Organizations**

There are no trademark-specific franchisee organizations associated with our franchise system that require disclosure in this Item.

**ITEM 21**

**FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit E are (1) the unaudited, interim financial statements of our affiliate, Purvelo Franchising, LLC, as of and for the partial year through May 31, 2025, and (2) the audited consolidated financial statements of our affiliate, Purvelo Franchising, LLC, as of and for the years ended December 31, 2024, December 31, 2023, and December 31, 2022. Exhibit E also contains Purvelo Franchising, LLC’s Guaranty of Performance. We have not been franchising for three years or more, and therefore cannot include all financial statements required to be disclosed in this Item. Our fiscal year ends on December 31 of each year.

**ITEM 22**

**CONTRACTS**

Attached to this Disclosure Document are the following franchise-related contracts:

- Exhibit B            Franchise Agreement
- Exhibit G            Nondisclosure and Noncompetition Agreement
- Exhibit H            Renewal Amendment to Franchise Agreement

Exhibit I State Addenda to the Franchise Disclosure Document, Franchise Agreement, and other Agreements

**ITEM 23**

**RECEIPTS**

Exhibit K contains detachable documents, in duplicate, acknowledging your receipt of this Disclosure Document. 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**

**TO DISCLOSURE DOCUMENT**

**LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4th Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Hawaii (State Administrator)	Commissioner of Securities Dept. of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch	335 Merchant Street Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Secretary of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, 14th Floor Bismarck, ND 58505-0510
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Insurance - Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501-3185
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Washington	Department of Financial Institutions Securities Division	150 Israel Road SW Tumwater, WA 98501 360-902-8760
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300 Madison, WI 53703

**EXHIBIT B  
(TO DISCLOSURE DOCUMENT)**

**NEIGHBORHOOD BARRE FRANCHISING, LLC**

**FRANCHISE AGREEMENT**

**NEIGHBORHOOD BARRE FRANCHISING, LLC**

**NEIGHBORHOOD BARRE®  
FRANCHISE AGREEMENT**

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**EXHIBITS**

<b>EXHIBIT 1</b>	<b>OWNERSHIP INTERESTS; SITE SELECTION AREA; AUTHORIZED LOCATION; DESIGNATED TERRITORY</b>
<b>EXHIBIT 2</b>	<b>AUTHORIZED LOCATION ADDENDUM</b>
<b>EXHIBIT 3</b>	<b>GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT</b>
<b>EXHIBIT 4</b>	<b>ADDENDUM TO LEASE</b>
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<b>EXHIBIT 6</b>	<b>AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS</b>
<b>EXHIBIT 7</b>	<b>CREDIT CARD PAYMENT AUTHORIZATION</b>

## **NEIGHBORHOOD BARRE® FRANCHISE AGREEMENT**

This Franchise Agreement (this “Agreement”) is made effective as of the Effective Date by and between **NEIGHBORHOOD BARRE FRANCHISING, LLC**, a Virginia limited liability company with its principal business address at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902 (“Franchisor”), and the person or entity identified as the “Franchisee” in the signature blocks below (“Franchisee,” and together with Franchisor, the “Parties”). The Effective Date is the date Franchisor signs this Agreement as shown beneath its signature hereto.

### **RECITALS**

Franchisor owns, administers and grants franchises for a system of fitness studios that (a) offer and sell specialized instruction and related services (“Approved Services”) and merchandise and other products (“Approved Products”), (b) are currently identified by the trademark “Neighborhood Barre” and related designs and use other related trademarks and service marks designated from time to time by Franchisor (the “Marks”), (c) reflect distinctive interior design and display procedures, and color scheme and décor (the “Trade Dress”), and (d) operate using a designated “System” which includes the Marks, Trade Dress and certain of Franchisor’s other intellectual property (“Intellectual Property”) including trade secrets, copyrights, confidential and proprietary information, and designated training and exercise methods and know-how, fitness equipment, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, and personnel management systems (each, a “Studio” and collectively, the “Neighborhood Barre Studios”).

Franchisee has requested that Franchisor grant it a franchise to own and operate a Studio and, to support its request, has provided Franchisor with certain information about its experience, skills and resources (the “Application Materials”). Franchisee has independently investigated the business contemplated by this Agreement and recognizes that the nature of the business may change over time.

Franchisor is willing to grant Franchisee’s request on the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of and reliance on the foregoing Recitals (which are incorporated herein by reference), the agreements described below, and other valuable consideration, receipt and sufficiency of which are acknowledged, the Parties agree as follows:

### **1. GRANT OF FRANCHISE**

#### **1.1 Grant.**

A. Franchisee agrees to, at all times, faithfully, honestly and diligently perform its obligations under this Agreement and to use its best efforts to promote its Neighborhood Barre Studio (the “Studio”) as described herein. Accordingly, Franchisor grants to Franchisee the non-exclusive right and license to establish and operate a single Studio, offering only the Approved Services and Approved Products and utilizing only the System and the Marks, at the location identified on Exhibit 1 or as determined in accordance with Section 1.2 below (the “Authorized Location”), in accordance with the provisions and for the Term (defined below) specified in this Agreement.

B. Franchisee agrees not to conduct the business of its Studio at any location other than the Authorized Location and to use the Authorized Location only for the operation of its Studio. Franchisee also agrees that, once its Studio opens for business, it will continuously operate the Studio in accordance with this Agreement for the duration of the Term.

C. If you are a corporation, limited liability company, or general or limited partnership (collectively, an “Entity”), you agree and represent that:

(1) you have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed and validly existing in good standing under the laws of the state of your incorporation or formation;

(2) your organizational documents, operating agreement, or partnership agreement, as applicable, recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions;

(3) Exhibit 1 to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date;

(4) each of your owners during this Agreement’s term will execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached hereto as Exhibit 3. Subject to our rights and your obligations under this Agreement, you and your owners agree to sign and deliver to us revised Exhibit 1 to reflect any permitted changes in the information that Exhibit 1 now contains;

(5) you must identify on Exhibit 1, one of your owners who is a natural person with at least a fifty-one percent (51%) ownership interest and voting power in you and who we have approved (the “Operating Partner”). We reserve the right to approve the Operating Partner. In the event that your Operating Partner ceases to own at least a fifty-one percent (51%) ownership interest and voting interest in you, you must identify a new Operating Partner for our review and approval;

(6) if you are an Entity, you agree that the Operating Partner is authorized to deal with us on your behalf in respect of all matters whatsoever which may arise in respect of this Agreement and any decision made by the Operating Partner will be final and binding upon you and we will be entitled to rely solely upon the decision of the Operating Partner in any such dealings without the necessity of any discussions with any other party, and we will not be held liable for any actions based on any decision or actions of the Operating Partner; and

(7) your Studio will be the only business you operate through that legal Entity unless otherwise approved by us.

## 1.2 **Site Approval Process.**

A. If the Authorized Location is not identified on Exhibit 1 when Franchisee signs this Agreement, Franchisee must search for acceptable locations for the Studio within the area identified on Exhibit 1 (the “Site Selection Area”) and secure Franchisor’s acceptance of the proposed location within 90 days after the Effective Date (the “Site Acceptance Period”). The Site Selection Area has been identified for the sole purpose of facilitating the orderly development of the market, and not for purposes of granting Franchisee any exclusivity or protection within the Site Selection Area. Franchisee acknowledges and agrees that Franchisor does not guarantee that Franchisee will find an acceptable site within the Site Selection Area or during the Site Acceptance Period.

B. Despite any assistance Franchisor provides to Franchisee, Franchisee is entirely responsible, at its expense, for doing everything necessary to develop and open the Studio in accordance

with this Agreement, including, subject to Franchisor's prior written acceptance, timely locating, selecting, and securing possession of the Authorized Location.

C. Franchisee must employ a qualified licensed architect, specified and/or approved by Franchisor, as required by state or local codes, to provide notice to Franchisor of Franchisee's general contractor, to prepare all drawings, designs, plans and specifications for the Studio ("Plans"), and submit same to Franchisor for review and approval prior to commencing construction. After receiving Franchisor's written approval of the Plans and Franchisee's general contractor, complete the initial buildout or remodeling of the Studio in full and strict compliance with Plans and specifications approved by Franchisor in the Manuals or elsewhere in writing, and in compliance with all applicable ordinances, building codes and permit requirements.

D. Franchisor will review each site that the Real Estate Project Manager (defined below), broker or Franchisee identifies and determine whether to accept it using Franchisor's proprietary site selection assistance criteria, which may include evaluations of the proposed site by third-party site selection assistance software. Franchisee is responsible for the on-site evaluation of the proposed sites. If Franchisor determines that it is necessary for Franchisor to provide on-site evaluation assistance, Franchisor will charge Franchisee a site selection fee (currently, \$500 per each of Franchisor's employees or agents for each full or partial day, plus travel and living expenses). Franchisee must secure a site that Franchisor has accepted by signing a site lease or purchase agreement within 120 days after the effective date of this Agreement (the "**Site Acquisition Deadline**"). Franchisor may extend this Site Acquisition Deadline in its sole discretion, and Franchisor may require Franchisee to execute a general release as a condition of Franchisor agreeing to grant such extension. If Franchisee does not secure a site for the Studio that Franchisor accepts by the Site Acquisition Deadline, Franchisor may terminate this Agreement.

E. Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of cycling/fitness equipment, ergometers, free weights and other equipment, furniture, fixtures, initial inventories, recruiting personnel, and managing construction or remodeling of the Studio. After Franchisee has executed a lease for the Site, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, layout, design, and signs relating to the Site and shall provide reasonable consultation in connection with the development of the Studio. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations, or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor. Franchisee must retain an architect to generate the design and construction plans for the Studio. Franchisor may, in its discretion, designate an architect that Franchisee must use. Franchisor may require Franchisee to engage at Franchisee's own expense a real estate project manager (the "Real Estate Project Manager") that Franchisor designates to manage and lead real estate brokerage services, site selection counseling, and other assistance that the Real Estate Project Manager considers necessary and appropriate. Franchisor will approve the Studio opening, provided (i) Franchisor has viewed the certificate of occupancy, (ii) confirmed that Franchisee has complied with the Plans, and (iii) confirmed that Franchisee has complied with the pre-opening obligations set forth in this Agreement and has done so in accordance with the System standards as set forth in the Manuals.

F. When it accepts Franchisee's proposed site, Franchisor will designate, in its sole determination based on any and all factors that Franchisor determines to be important, an area around the Authorized Location (the "Designated Territory"). If the Authorized Location and Designated Territory are not identified in Exhibit 1 when this Agreement is signed, Franchisor will, upon its acceptance of Franchisee's proposed site for the Studio, complete and deliver to Franchisee the Authorized Location Addendum attached hereto as Exhibit 2. Franchisee will have 10 days following delivery of the Authorized Location Addendum to execute and return it to Franchisor. If Franchisee rejects the addendum or does not timely sign and return it to Franchisor, Franchisor may, in its discretion, revoke its acceptance of the

Authorized Location, in which case, Franchisee must propose and secure Franchisor's acceptance of an alternative site, using the same process, within the remainder of the Site Acceptance Period.

G. Once it acknowledges its acceptance of the Authorized Location and Designated Territory, Franchisee must thereafter obtain lawful possession of the Authorized Location by lease, purchase or other method and open its Studio in accordance with the conditions and deadlines set forth in this Agreement.

H. Franchisor will have the right to modify the boundaries of the Designated Territory if (a) Franchisee relocates its Studio as permitted under this Agreement, or (b) at the time of any requested renewal or proposed Transfer (defined below), the population of the Designated Territory is over 50,000, with said modifications designed to afford Franchisee with a territory that contains a population that is similar to that contained within the original Designated Territory.

I. You may not relocate your Studio to a location other than the Premises without our approval. If we allow you to relocate your Studio, the relocation will be subject to the site selection and lease provisions set forth above and will occur at your sole expense. In addition, you will be assessed a Relocation Fee as set forth in Section 14.4 for the services we provide in connection with your relocation, including reviewing and approving a new site and Lease, assisting with the design and construction of the new site. Notwithstanding the foregoing, if the relocation of the Studio is due to fire, casualty, or other circumstances outside of your control, the relocation fee shall be waived.

1.3 **Exclusivity for Designated Territory.** As long as Franchisee is in compliance with this Agreement and except as described in Section 1.4 below, Franchisor will not operate, or grant a license to a third-party to operate, during the Term, a Studio located within the Designated Territory.

1.4 **Rights Reserved to Franchisor.** For the avoidance of doubt, Franchisor reserves for itself and its affiliates all rights not expressly granted to Franchisee in this Agreement and the right to do all things that Franchisor does not expressly agree in this Agreement not to do, in each case, without regard to proximity to the Studio and without any compensation to Franchisee, and on such terms and conditions as Franchisor deems appropriate. Without limitation, Franchisor and its affiliates may, themselves or through authorized third-parties (and Franchisee is not granted the right to): (a) open and operate, and license third-parties the right to open or operate, other Neighborhood Barre Studios utilizing the Marks and System outside the Designated Territory; (b) market, offer and sell products and services similar to those offered by Neighborhood Barre Studios (such as private label products that Franchisor may develop and the Initial Instructor Training (as defined in Section 5.5)) under a different trademark or trademarks at any location, both within or outside the Designated Territory; (c) use the Marks and System, as well as any other marks Franchisor may designate, to distribute Approved Products and/or Approved Services through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, anywhere either within or outside the Designated Territory; (d) acquire, or be acquired by, or merge with, any company, including a company operating or licensing one or more businesses offering products or services similar to those offered by any Studio located within or outside the Designated Territory, and subsequently operate (or license a third-party the right to operate) these businesses and allow them to incorporate certain elements of the System (excluding the Marks and Trade Dress) regardless of location; (e) develop or become associated with and engage in other businesses, including other fitness concepts and systems, and/or award franchises under such other concepts for locations anywhere, including inside and outside of the Designated Territory; (f) use the Marks and System, and license others to use the Marks and System, to engage in any other activities not expressly prohibited by this Agreement; (g) to modify System Standards and in our sole discretion vary System Standards for a franchise owner based upon the peculiarities of any condition that we feel is important to that franchise owner's successful operation; and (h) open and operate, or license third-parties the right to open or operate, Neighborhood Barre Studios at "Non-Traditional Sites" both within and outside the Designated Territory.

A “Non-Traditional Site” is any location that is situated within or as part of a larger venue or facility and, as a result, is likely to draw the predominance of its customers from those persons who are using or attending events in the larger venue or facility (for example, “big box” gyms and/or fitness facilities, cruise ships, military bases, shopping malls, airports, sports facilities and stadiums, industrial or office complexes, hotels, train stations and other transportation facilities, travel plazas, casinos, hospitals, theme parks, convention centers, colleges/universities, multi-unit residential properties, and other similar captive market locations).

## 2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee.** Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Studio on the terms and conditions specified herein. Franchisee agrees to comply with all System Standards (as defined in Section 2.2.E), as they may be revised as provided herein, in developing and operating its Studio. Franchisee (or, if Franchisee is an entity, one of its Operating Principals (as defined in Section 5.5)) and its Key Manager (as defined in Section 5.5.B of this Agreement) must attend and complete the appropriate initial training to Franchisor’s satisfaction, as set forth in Section 6.2 of this Agreement.

2.2 **Conditions.** The rights being licensed herein are subject, without limitation, to the following conditions:

A. The Studio shall be identified only by those Marks approved in writing by Franchisor with at least one exterior sign as designated by Franchisor;

B. If Franchisee is not a natural person, then concurrently, with the signing of this Agreement, any person who directly or indirectly owns a ten percent (10%) or greater ownership interest in Franchisee (the “Owners”) and each Owner’s spouse (if applicable) must sign and deliver to Franchisor the Guarantee, Indemnification, and Acknowledgment attached as Exhibit 3 hereto (a “Guaranty”). Any person or entity that at any time after the Effective Date becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute and deliver, and require its spouse (if applicable) to execute and deliver, to Franchisor its then-current form of Guaranty;

C. Franchisee shall submit the proposed lease for the Authorized Location to Franchisor for its written consent before Franchisee executes the lease. The lease must contain the provisions outlined in Franchisor’s then-current form of lease addendum, the current form of which is attached as Exhibit 4, or substantially similar provisions acceptable to Franchisor (“Lease Addendum”);

D. Franchisee agrees that it shall open the Studio for regular, continuous business no later than six (6) months after the Effective Date. If, through no fault of Franchisee, the Studio has not opened after six (6) months, Franchisor may agree in writing to provide Franchisee with an additional three (3) months to open its Studio if Franchisee (a) has already secured an approved premises for its Studio, and (b) is otherwise making diligent and continuous efforts to buildout and otherwise prepare its Studio for opening throughout the six (6) month period following the Effective Date. Franchisor reserves the right to charge Franchisee a fee of \$2,500 as a condition to granting any extension under this Section; and

E. Franchisee agrees at all times to comply with the Manual (as defined in Section 6.3 below), and all required standards, operating systems, and other aspects of the System prescribed by Franchisor (the “System Standards”), each of which is subject to change at Franchisor’s discretion.

### 3. TERM AND SUCCESSOR FRANCHISES

3.1 **Term.** The term of this Agreement shall be for a period of ten (10) years beginning on the Effective Date, unless sooner terminated under Section 15 (the “Term”).

3.2 **Successor Franchises.** Upon the expiration of the initial Term, if Franchisee complies with this Section 3.2, Franchisee may, at its option, obtain three (3) additional consecutive successor terms of five (5) years each (each, a “**Successor Term**”). The initial Term and Successor Terms are referred collectively in this Agreement as the “**Term.**” Franchisee may only exercise this right to obtain a Successor Term by:

A. giving Franchisor written notice of Franchisee’s desire to obtain a successor License at least six, but no more than 12, months before the expiration of the then-current initial Term or Successor Term;

B. delivering to Franchisor a fully executed franchise agreement Franchisor’s then-current form of franchise agreement, which Franchisee acknowledges may contain terms materially different than those contained in this Agreement, including, but not limited to, (i) higher rates of Royalty and Fund fees (as herein defined) and other fees and charges and (ii) a modified Designated Territory;

C. refurbishing or renovating the Studio, at Franchisee’s expense, to conform the decor, color schemes, storefront, signage, and presentation of the Marks to Franchisor’s then-current image and, if necessary, in Franchisor’s sole opinion, to update and replace the equipment, furniture, signage, and fixtures to meet then-current specifications;

D. executing a general release, in a form Franchisor prescribes, of any and all claims against Franchisor, its affiliates, and its and their past, present, and future officers, directors, shareholders, and employees arising out of, or relating to, the Studio;

E. completing, and having the Operating Principal and Key Manager complete, all of then-current training requirements, including any additional training that Franchisor may require;

F. securing the right from Franchisee’s landlord to continue operating at the Site for the remainder of such Successor Term;

G. substantially and timely complying with each provision of this Agreement or any other agreement with Franchisor, its affiliates, or Franchisee’s landlord throughout the then-current term and having committed no default of this Agreement, or event which with the giving of notice and/or passage of time would constitute a default, in existence as of the expiration of the then-current term; and

H. paying to Franchisor the successor fee equal to 20% of the then current initial franchise fee (“**Successor Fee**”).

3.3 **Holdover.** If, in its discretion and without seeking to enforce Franchisee’s post-term obligations set forth in Section 15.3 of this Agreement, Franchisor suffers Franchisee’s continued operation of its Studio pursuant to this Agreement beyond the expiration of the Term, such continuance of operations shall be deemed to be Franchisee’s election to extend the Term on a month-to-month basis and, in addition to all other rights Franchisor may have as a result of Franchisee’s noncompliance with this Agreement, Franchisor may terminate this Agreement during such period in accordance with Section 15.1.A and Section 15.1.B below or, without any cause or reason, upon 30 days’ prior written notice. Franchisee shall otherwise comply with all of its obligations under this Agreement during the extension of the Term as described in this Section.

#### 4. TRADEMARK STANDARDS

4.1 **Ownership of Marks.** Franchisee acknowledges the validity of the Marks and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor and/or its affiliates. Franchisee further acknowledges that its right to use the Marks and System is derived solely from this Agreement and is limited to the operation of the Studio pursuant to and in compliance with this Agreement. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor and its affiliates. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Franchisor agrees to indemnify Franchisee from any claims, costs or fees associated with Franchisee's authorized use of the Marks in accordance with this Agreement, subject to the requirement that Franchisor be immediately notified of any third-party challenge to Franchisee's authorized use of any Mark under this Agreement, and Franchisor has the right to control any related dispute or proceeding.

#### 4.2 **Use of Marks.**

A. Franchisee shall not use any Mark (i) as part of any corporate or business name with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form, or (ii) to advertise any prospective Transfer that would require Franchisor's approval under Section 14 of this Agreement. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business using the Marks other than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of the Studio and shall not market any product or service relating to the Studio without Franchisor's written consent, and if such consent is granted, such product or service must be marketed in a manner acceptable to Franchisor.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights (including the ® and © symbols) as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under Applicable Laws (defined below).

4.3 **Notification of Infringement.** Franchisee agrees to notify Franchisor immediately in writing if it becomes aware that any person who is not a licensee of Franchisor is using or infringing upon any of the Marks. Franchisee may not communicate with any person other than Franchisor and its counsel in connection with any such use or infringement. Franchisor will have discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee will execute any and all instruments and documents and will assist and cooperate with any suit or other action undertaken by Franchisor with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. Franchisor will be responsible for legal expenses incurred by Franchisor in connection with any litigation or other legal proceeding involving such third-party. Franchisor shall not be liable for any legal expenses of Franchisee unless (a) pre-approved in writing by Franchisor in its discretion, and (b) the action proceeds or arises out of Franchisee's authorized use of the Marks hereunder.

4.4 **Modification, Discontinuance or Substitution.** Franchisor reserves the right, in its sole judgment, to modify, discontinue or replace any Mark on a national or regional basis, and Franchisee shall, as applicable and at its expense, immediately discontinue use of any Mark and commence using any modified or replacement Mark as directed by Franchisor. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's discontinuance or change of any Mark.

## 5. FEES

5.1 **Initial Franchise Fee.** On its signing of this Agreement, Franchisee agrees to pay Franchisor an initial franchise fee in the sum of Forty-Nine Thousand Dollars (\$49,000) for the right to operate the Studio pursuant to the terms of this Agreement (the “Initial Franchise Fee”). The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable under any circumstance.

5.2 **Royalty Fee.** During the term of this Agreement, Franchisee shall pay to Franchisor a non-refundable royalty (the “Royalty,” “Royalty Fee,” or “Royalties”) equal to the greater of (i) seven percent (7%) of Gross Sales, or (ii) two-hundred fifty dollars (\$250) per week (the “**Minimum Weekly Royalty**”).

5.3 **Gross Sales.** “Gross Sales” means the total revenue, in whatever form, generated by the Studio, whether or not in compliance with this Agreement and regardless of receipt, including all revenue generated from the sale and provision of any and all gift cards and other products and services at or through the Studio and all proceeds from any business interruption insurance related to the non-operation of the Studio. “Gross Sales” does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Studio that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Approved Services offered in connection with the Studio.

### 5.4 **Fitness Equipment & Initial FF&E Package; Pre-Sales and Soft Opening Retail Inventory Kit; Pre-Sales Phase Expenditures; POS/Inventory System.**

A. Prior to opening the Studio, Franchisee must purchase or lease the Fitness Equipment & Initial FF&E Package (as defined below) (which the Parties expect Franchisee will acquire via a lease-to-own or comparable agreement entered into with a third-party provider of such programs) and opening retail inventory comprised of certain branded and other inventory that may be resold at the Studio (the “Pre-Sales and Soft Opening Retail Inventory Kit”) from Franchisor’s approved supplier(s). The “Fitness Equipment & Initial FF&E Package” includes: (i) a Studio fixture package (comprised of a millwork bundle (front desk, slatwall, cubbies), millwork accessories and other related supplies; (ii) the package of fitness equipment and other operational equipment Franchisor designated to be used in Neighborhood Barre Studios (barre bars) and smaller pieces of related exercise equipment (e.g. dumbbells); (iii) other items related to the outfitting and design and buildout of Franchisee’s Studio; and (iv) the installation and transportation of the foregoing items, which may vary depending on the geographic location of Franchisee’s Studio. Throughout the Term, Franchisee will be responsible for (i) maintaining and/or replacing the exercise equipment, furniture, fixtures, other equipment, and related supplies used in connection with the Studio; and (ii) maintaining certain levels of inventory with respect to those items comprising the Pre-Sales and Soft Opening Retail Inventory Kit, as set forth more fully in this Agreement.

B. As part of the Pre-Sales and Soft Opening Retail Inventory Kit, Franchisee will acquire and must utilize certain pre-sales start-up package materials in coordination with the pre-opening sales plan that Franchisee is required to commence conducting at least sixty (60) days prior to the opening of the Studio (the “Pre-Sales Phase”). Franchisee agrees and acknowledges that Franchisee must: (i) develop the foregoing plan in coordination with the opening support program designated by Franchisor that is designed to generate prospective Studio clientele and members and otherwise promote the Studio prior to opening (the “Opening Support Program”); (ii) obtain Franchisor’s prior approval of the plan and all Pre-Sales Phase activities; and (iii) incur and promptly pay all fees and costs associated with the Opening Support Program and other Pre-Sales Phase activities as and when such amounts become due.

C. Franchisee further agrees to install purchase the designated audio/visual equipment package (“AV Package”) and must install at its expense and use the membership accounting, cost control, point-of-sale system and inventory control systems (the “POS/ Inventory System”) through the supplier

Franchisor designates. The designated, or approved, supplier(s) for these services will be updated in the Manual as changes are made. Throughout the Term, Franchisee will also be required to pay Franchisor's then-current designated provider for the software that Franchisor prescribes for use in connection with the Studio, the AV Package and the POS System, which may be modified upon reasonable written notice to Franchisee.

**5.5 Training Programs and Fees.** The Parties agree and acknowledge that: (i) Franchisee or, if Franchisee is an entity, at least one (1) of Franchisee's operating principals (an "Operating Principal") must complete the "Owner/Operator Module" and Franchisor's proprietary initial training program (the "Initial Training Program"), as described in more detail in the Manual; and (ii) each instructor that Franchisee engages to provide any of the Approved Services at its Studio (each an "Authorized Neighborhood Barre Instructor") must complete Franchisor's proprietary training program that is designed to provide instructors with additional guidelines and instruction for providing the Approved Services in accordance with the System (the "Initial Instructor Training"). Franchisor may, at its option, conduct any training program virtually via live or prerecorded modules. Fees for attendance and participation in a training program (each a "Training Fee") may be assessed as described below.

A. *Initial Training Program.* Except as provided below, Franchisee will not be required to pay any Training Fee or tuition in connection with individuals that attend the Initial Training Program prior to the opening of the Studio, provided such individuals all attend at the same time. For those individuals that wish to complete the Initial Training Program at a time other than when Franchisee (or, if applicable, its Operating Principal) attends the Initial Training Program, Franchisor may charge such individuals its then-current Training Fee. Franchisee may also designate a third-party individual that Franchisor approves to manage the day-to-day operations of the Studio (a "Key Manager"), but any such individual must at least complete the Key Manager Module of the Initial Training Program prior to assuming any management responsibilities at the Studio (with Franchisee paying the Training Fees associated therewith, if any). If Franchisee is acquiring and assuming an existing Neighborhood Barre Studio from another System franchisee, it will be required to pay Franchisor's then-current Training Fee for persons required to attend Franchisor's Initial Training Program as necessary to satisfy the requirements of this Section.

B. *Key Manager; Key Manager Training Program.* If Franchisee (or one of its Operating Principals) is not or does not intend to be on-site at the Studio during normal business hours to manage the day-to-day operations of its Studio (including, for example, where Franchisee owns or is affiliated with owners of multiple open Neighborhood Barre Studios), then Franchisee must appoint a "Key Manager" for the Studio who will be responsible for the day-to-day operation of, and only for the Studio. Each Key Manager must attend and complete, to Franchisor's satisfaction, Franchisor's key manager training program prior to assuming the Key Manager responsibilities (the "Key Manager Training Program"). Franchisor does not charge a Training Fee for Franchisee's initial Key Manager's participation in the Key Manager Training Program.

C. *Initial Instructor Training.* Every Authorized Neighborhood Barre Instructor that provides any of the Approved Services at Franchisee's Studio must, prior to providing instruction, complete the Initial Instructor Training, as described in the Manual. Franchisor will assess a Training Fee for participation in the Initial Instructor Training.

D. *Ongoing/Refresher and Other Additional Training; Annual Conferences.* Franchisor may provide or request that Franchisee and certain of its management personnel attend and complete up to five (5) days of additional/refresher training each year, but Franchisor will not charge Franchisee a Training Fee in connection with such required training. Franchisor may establish an annual franchisee meeting or convention and charge an attendance or nonattendance fee in connection with such franchisee meeting or convention. Franchisee is responsible for all travel and living expenses incurred by Franchisee and/or Franchisee's personnel for attendance.

E. *No Training Fee for Minor, Day-to-Day Assistance.* Franchisor will not charge Franchisee a Training Fee in connection with minor, day-to-day assistance that Franchisor provides remotely over the phone, via email/fax or other electronic channel of communication, which Franchisee understands and acknowledges will be provided subject to the availability of Franchisor's personnel.

F. *Costs and Expenses.* Franchisor will not, under any circumstances, be responsible for, and the indemnities provided in Section 11.2 shall apply to, costs and expenses (including wages, benefits, and travel-related expenses) incurred by or owed to Franchisee or its personnel in or as a result of attending or participating in any training program described in this Agreement or otherwise provided by Franchisor or its designee.

G. *Training Fee for Certain Training.* Franchisor may charge its then-current Training Fee in connection with training that (a) Franchisee requests Franchisor provide, or (b) Franchisor provides on-site at Franchisee's Studio.

5.6 **Fund Contribution.** Franchisor (and its affiliates) have established a creative brand development fund to promote the System, Marks and brand with which the Studio is associated generally (the "Fund"). Franchisee shall contribute to the Fund, as directed by Franchisor from time to time, up to two percent (2%) of the Gross Sales of its Studio (the "Fund Contribution"), commencing once the Studio starts generating revenue from its business operations. The Fund Contribution will typically be paid in the same manner and at the same interval that the Royalty Fee is collected (based on the Gross Sales of the Studio over the immediately preceding reporting period). Franchisor has the right, at any time and on notice to Franchisee, to change the amount of the Fund Contribution in accordance with Section 9.1 below.

5.7 **Technology Fee.** Franchisee agrees to pay to an approved supplier a Technology Fee equal to \$250 per week, but such fee is subject to change upon notice to Franchisee ("Technology Fee"). Franchisor may charge Franchisee an increased or additional recurring technology fee, the amount of which may change from time to time during the Term, in Franchisor's discretion, to pay for certain aspects of Franchisee's computer system and/or software used in the operation of the Studio. Franchisor reserves the right to designate and/or change the amount, scope, interval, 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 Franchisee. The Technology Fee may be collected by Franchisor at the same time as the Royalty Fees due hereunder.

5.8 **Music Licensing Fee.** Franchisor may charge Franchisee its then-current music licensing fee (the "Music Licensing Fee") as consideration for costs incurred in connection with obtaining licensing rights to music and playlists Franchisee will use in connection with the provision of Approved Services at the Studio.

5.9 **Other Amounts Due in Connection with the Studio.** Franchisee will also be responsible for timely payment of any other required fees or amounts necessary to purchase ongoing marketing materials, inventory, supplies and/or other items from Franchisor, its affiliates or other third-party suppliers as described in this Agreement.

5.10 **Electronic Transfer; Right to Modify Collection Interval.**

A. Franchisor reserves the right to determine, from time to time, the frequency, intervals covered, and manner in which amounts owed to it or its affiliates must be paid. Currently all such amounts (including fees, interest, and other payments required under this Agreement) must be paid via automatic debit from Franchisee's point-of-sale operating account administered by the designated supplier of point-of-sale services on a weekly basis throughout the Term, subject to modification on reasonable written notice.

B. All amounts due to Franchisor or its affiliates for the purchase of products, services or otherwise are due upon receipt of an invoice from Franchisor or such affiliate. Any payment or report not actually received by Franchisor or its affiliates on or before the due date is overdue. Despite any designation you make, Franchisor may apply any of your payments to any of your past due indebtedness to Franchisor. We may offset any amounts you or your owners owe us or our affiliates against any amount we or our affiliates owe to Franchisee. Franchisee may not withhold payment of any amounts Franchisee owes to Franchisor based on Franchisor's alleged nonperformance under this Agreement.

C. Franchisee agrees to complete and execute Franchisor's then-current form of "Electronic Funds Transfer Agreement" and any other form, including, without limitation, an "Electronic Debit Authorization" for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization. Such authorization must remain in effect throughout the Term and, following expiration or termination of this Agreement, until all amounts owed to Franchisor and its affiliates have been paid.

D. Franchisee is required to use only the AV Package and POS/Inventory System provided by the designated supplier and will pay the designated provider directly for all fees associated with the use of the designated provider's software. Franchisee is not allowed to use an unapproved external terminal to process transactions.

5.11 **Interest and Late Charges.** Amounts due to Franchisor (except interest on unpaid amounts due) not paid when due shall bear interest from the date due until paid at the lesser of one and one-half percent (1.5%) per month or the highest rate of interest allowed by law. Franchisor may also recover its reasonable attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

## 6. FRANCHISOR SERVICES

In addition to the services described elsewhere in this Agreement, Franchisor will do the following:

6.1 **General Guidance for Opening.** Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of barre equipment and other designated equipment, free weights, and other equipment, furniture, fixtures, surveillance cameras with audio, initial inventories, managing construction or remodeling of the Studio, and certain other items related to the development and operation of Neighborhood Barre Studios. After Franchisee has executed an approved lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, surveillance cameras with audio, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Studio. Franchisee's architect is responsible for proposing changes to the layout, design and construction specifications provided by Franchisor as necessary to meet applicable legal requirements and to adapt for unique physical characteristics of the Authorized Location, but Franchisee agrees that no such changes, alterations or modifications whatsoever to Franchisor's selected layout and design specifications will be implemented without Franchisor's prior written consent.

6.2 **Training-Related Programs and Obligations.** Franchisor will provide the training programs described in Section 5.5 and below, and Franchisee must, at all times during the Term, be in compliance with all training obligations described in Section 5.5 and set forth below.

A. *Initial Training Program; Key Manager Training Program.* All persons required to complete the Owner/Operator Module, the Key Manager Module, and/or the Initial Instructor Training must do so prior to engaging in any activities related to the operation of the Studio. The specifics of each of the foregoing training programs shall be set forth in the Manual. All such training is conducted, at Franchisor's option, at Franchisor's corporate headquarters or another training facility Franchisor designates. If any of the individuals described in this Section and Section 5.5 fail to successfully complete the applicable training required by this Section and Section 5.5 before the time Franchisee is required to open the Studio hereunder, Franchisor may terminate this Agreement.

B. *Initial Instructor Training.* Any individual that wishes to provide instruction services or any of the other Approved Services at the Studio must first complete the Initial Instructor Training. Franchisor may, in addition to exercising any of its other rights under this Agreement, terminate this Agreement upon written notice to Franchisee if Franchisee permits the Approved Services to be provided by any individual that does not meet the criteria in this Section. If Franchisee fails to comply with the foregoing (or any other material obligation under this Agreement), Franchisor reserves the right to charge Franchisee its then-current non-compliance fee ("Non-Compliance Fee") in each instance. The Studio must have at least one (1) individual that has completed the Initial Instructor Training on-site at the Studio at all times when any Approved Services are being provided. Franchisee must otherwise ensure that: (i) any Initial Instructor Training held at the Studio is performed in accordance with System Standards; (ii) any individual that participates in the Initial Instructor Training, successfully completes that program, and passes any test that is provided in connection with the program; and (iii) no personnel provides instruction or other Approved Services at the Studio unless and until such personnel successfully completes the Initial Instructor Training and passes the corresponding test. Franchisee agrees that Franchisor, as part of its right to inspect and audit the operations of the Studio on an ongoing basis, may require that Franchisee demonstrate that all required personnel has participated in and successfully completed the Initial Instructor Training and corresponding test.

C. *Discretionary On-Site Assistance.* Around the time the Studio is opening, Franchisor may send one (1) or more representatives to the Studio to (i) provide assistance and recommendations regarding the opening and initial operations of the Studio, and/or (ii) provide additional or refresher training associated with the Owner/Operator Module, Key Manager Module, and/or the Initial Instructor Training, all as Franchisor determines appropriate in its discretion (collectively, the "Discretionary On-Site Assistance"). In the event Franchisor notifies Franchisee that it will be providing the Discretionary On-Site Assistance, such assistance typically lasts one (1) to two (2) days and Franchisee must ensure that Franchisee (or its Operating Principal) and all other management personnel are in attendance at the Studio during those days.

D. *Ongoing/Refresher Training.* Franchisor may provide, and require that Franchisee, as well as any of its management personnel attend, up to five (5) days of additional training each year at a training facility that Franchisor designates (without charging Franchisee any Training Fee as described in Section 5.5 of this Agreement). Franchisee may also request that Franchisor provide certain additional or refresher training to Franchisee, either at one (1) of Franchisor's designated training facilities or on-site at Franchisee's Studio, but Franchisor reserves the right to charge Franchisee its then-current Training Fee based on the number of days of such training that Franchisor provides at Franchisee's request.

E. *Remedial Training.* If, in Franchisor's sole judgment, Franchisee fails to maintain the quality and service standards set forth in the Manuals, Franchisor may, in addition to all of its other rights and remedies, assign trainers to the Studio to provide on-site training and restore service levels and/or

require Franchisee or its employees to repeat Initial Training or attend additional training programs at a location that Franchisor designates. Franchisor may charge a reasonable fee (currently, \$500 per day) for each trainer assigned to the Studio and any remedial training. Franchisor may increase the amount to be charged for each trainer upon 60 days' prior written notice.

6.3 **Operations Manual.** During the Term, Franchisor will grant Franchisee online access to an electronic version of its manuals and written policies and procedures related to the development and operation of Neighborhood Barre Studios (collectively, the "Manual"). The Manual is anticipated to codify then-current specifications, standards and operating procedures prescribed or suggested by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its System Standards as well as the contents of the Manual (including by written memoranda and notices issued to owners of Neighborhood Barre Studios), and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. The Manual shall remain the sole property of Franchisor and is part of, and subject to the requirements applicable to, Franchisor's Confidential Information (as defined in Section 12.1). If Franchisee, intentionally or otherwise through its gross negligence, compromises the secure access to the online version of the Manual (or any hard copy of the Manual), including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents or intentionally posting any of the Confidential Information on the Internet, Franchisee acknowledges that it will be required to adequately compensate Franchisor for the breach and related damage to the Marks and System, and that any limitation of remedies provided in Sections 16.4 and 16.7 below shall not limit Franchisor's remedy or relief in the foregoing instance(s).

6.4 **Continuing Services.** Franchisor will provide such continuing advisory assistance and information to Franchisee in the development and operation of the Studio as Franchisor deems advisable in its discretion. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, fax, personal visits, newsletters or manuals.

6.5 **Approved Lists.** Franchisor will provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services and products, including, but not limited to, barre equipment and gear, and other materials and supplies used in the operation of the Studio. Franchisor, or an affiliate of Franchisor, may be a designated or approved, or sole supplier of certain equipment, gear, merchandise, apparel and supplies.

6.6 **Pricing.** The System has developed a reputation that is based in part on affordable prices for indoor barre and other fitness services offered by Neighborhood Barre Studios operating as part of the System. To promote a consistent consumer experience, and to maximize the value of the products and services Neighborhood Barre Studios offer, Franchisor may, subject to Applicable Laws, require fixed maximum or minimum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to abide by the pricing established by Franchisor from time to time, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in state or federal anti-trust laws. Consistent with state or federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure. For any product or service for which Franchisor does not impose a maximum or minimum price, Franchisor may require Franchisee to comply with an advertising policy adopted by Franchisor which will prohibit Franchisee from advertising any price for a product or service that is different than Franchisor's suggested retail price. Although Franchisee must comply with Franchisor's advertising policy, Franchisee will not be prohibited from selling any product or service at a price above or below the suggested retail price unless Franchisor imposes a maximum price or minimum price for such product or service.

6.7 **Fund.** As detailed in Section 9.1 of this Agreement, the Fund is currently maintained and administered by Franchisor (or its affiliates), with the advice and counsel of a marketing fund committee,

to meet the costs of conducting regional and national advertising and promotional activities (including the cost of advertising campaigns, test marketing, marketing surveys, public relations activities and marketing materials) which Franchisor and the marketing fund committee, deem beneficial to the System.

6.8 **Approving Pre-Opening Support Program.** Franchisor and/or its approved provider will provide Franchisee with advice and consultation with respect to establishing the Pre-Sales Phase and Opening Support Program described in Section 5.4.B above. The components of Franchisee's Opening Support Program must be approved by Franchisor prior to implementation, including the relevant timelines for certain pre-opening sales and marketing activities.

6.9 **Branded Emails.** Franchisor reserves the right to require Franchisee to use an email address associated with Franchisor's registered domain name in connection with the operation of the Studio. If Franchisor requires Franchisee to obtain and use such an email address, Franchisee must do so according to System Standards. Franchisee acknowledges and agrees that Franchisor will have unrestricted access to all such email accounts and all document, data, materials, and messages shared from or by such accounts. Franchisor may deactivate any such account or limit Franchisee's or its users' access to it at any time. Franchisee acknowledges and agrees that it will use such email address only in connection with the operation of the Studio and in compliance with all Applicable Laws. Franchisee agrees to indemnify Franchisor and its affiliates for claims arising from Franchisee's unlawful use of such email address.

## 7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

7.1 **Facility Specifications.** Franchisee's Studio shall satisfy the following conditions:

A. The Studio shall be laid out, designed, constructed or improved, equipped and furnished in accordance with the System Standards. Equipment, furnishings, fixtures, surveillance cameras with audio, decor and signs for the Studio shall be purchased from suppliers approved or designated by Franchisor. Franchisee may remodel or alter the Studio, or change its equipment, furniture or fixtures, only with Franchisor's prior written consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Studio shall contain or display only signage that has been specifically approved or designed by Franchisor.

B. The Studio and all fitness equipment shall, at all times, be maintained in accordance with the System Standards. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, fixtures or any other item of the interior or exterior that is in need of repair, refurbishing or redecorating in accordance with such standards established (and updated from time to time) by Franchisor or as may be required by Franchisee's lease.

C. Franchisee recognizes that Franchisor may, in its discretion, evolve the System and the features and appearance of Neighborhood Barre Studios to, among other things, respond to new fads, new forms of exercise, new equipment, new training techniques, and changing customer demands. Franchisee further understands that barre equipment and other equipment wears out, breaks down, or becomes obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace components of the Trade Dress and Studio's operating assets and equipment as may be necessary for the Studio to conform to the System Standards for new Neighborhood Barre Studios. Further, Franchisee will be required to thoroughly modernize or remodel the Studio, at Franchisee's cost, when requested by Franchisor. This may include replacing barre / fitness equipment and gear, and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating the Studio, and Franchisee agrees to incur, without limitation, any capital expenditures required in order to comply with this obligation and Franchisor's requirements. Within 60 days after receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes, and Franchisee

must submit those plans to Franchisor for its approval. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor and its affiliates who own Neighborhood Barre Studios will hold themselves, and the Neighborhood Barre Studios they operate (if any), to the same high standard and same frequency for replacement and renovation as is required of Franchisee.

D. The Studio shall contain signage prominently identifying Franchisee by name as an independently owned and operated franchisee of Franchisor.

E. The Studio must have a surveillance camera with audio purchased from a designated approved supplier installed at the Studio. The camera(s) must be web accessible. The camera(s) will be used by Franchisee to monitor teacher performance, quality assurance and safety. Franchisor has an absolute right to also review and monitor the camera(s) for the same purposes as Franchisee, and to ensure compliance with the System. Franchisee is responsible for complying with all Applicable Laws in connection with the use of the surveillance camera, including without limitation, obtaining all necessary consents from Franchisee's employees, agents, customers, and any other visitors of the Studio for purposes of collecting, using, disclosing, and sharing relevant data and footage with Franchisor and its parents, affiliates, and subsidiaries. Franchisee acknowledges and agrees that its indemnification obligations under this Agreement include claims arising from or related to any breaches of privacy from Franchisee's use of any surveillance camera.

F. Franchisee must offer, accept the use of, and ensure that it and the Studio's personnel are aware of all then-current System policies and procedures related to member reciprocity amongst (a) other Neighborhood Barre Studios that are part of the System, and/or (b) studios operated as part of the franchise systems in connection with the other brands owned and/or licensed by Franchisor and its affiliates.

7.2 **Lease.** Franchisee is solely responsible for purchasing or leasing a suitable site for its Studio. Franchisee must submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must be subject to the applicable Lease Addendum or incorporate similar terms. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

7.3 **Unit Development.** Franchisee agrees that after obtaining possession of the Authorized Location, Franchisee will promptly, at its sole expense:

- A. Obtain any standard plans and/or specifications from Franchisor;
- B. Engage a qualified licensed architect, as required by state or local codes, to prepare all drawings, designs, plans and specifications for the Studio, and submit same to Franchisor for review and approval prior to commencing construction;
- C. Complete the construction or remodeling of the Studio in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with the Trade Dress and all applicable ordinances, building codes and permit requirements;
- D. Purchase or lease, in accordance with the System Standards, all fitness equipment, fixtures, inventory, supplies and signs required for the Studio;
- E. Hire and train the initial operating personnel according to this Agreement and the System Standards; and

F. Complete development of and have the Studio open for business not later than six (6) months after the Effective Date of this Agreement.

G. Franchisee must complete construction of and open the Studio for business no later than 180 days after Franchisor accepts the site and no later than 365 days after the Effective Date (the “**Opening Deadline**”), unless Franchisor grants an extension in writing. Franchisor may, in its sole discretion, extend the Opening Deadline, which Franchisor may condition on Franchisee agreeing to pay an extension fee of \$2,500 for each month (or portion of a month) for which the Opening Deadline is extended and Franchisee executing a general release. Franchisee may not open the Studio until Franchisee has received Franchisor’s written approval, which Franchisor will not provide until (i) Franchisor has viewed the certificate of occupancy, (ii) confirmed that Franchisee has complied with the Plans, and (iii) confirmed that Franchisee has complied with the pre-opening obligations set forth in this Agreement and has done so in accordance with the System Standards as set forth in the Manuals. Franchisee must open the Studio for business to the public within ten days from the date Franchisor gives its written approval. Time is of the essence in constructing the premises for and opening the Studio.

7.4 **Franchisee’s Responsibility.** Although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Studio, it is Franchisee’s sole responsibility to construct, equip, and operate the Studio in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act, and all other requirements that may be prescribed by any federal, state or local governmental agency (“**Applicable Laws**”). Franchisee further acknowledges and agrees that Franchisee is, and will continue to be, at all times during the Term, solely responsible for the day-to-day operation of the Studio in accordance with this Agreement, including all decisions regarding its personnel (as described in Section 8.3 below), each of whom must be competent, conscientious, and properly trained. Franchisee acknowledges that nothing in this Agreement shall, or may be construed to, create any type of employer or joint employer relationship between (a) Franchisee or any of Franchisee’s personnel, and (b) Franchisor in any matter.

## 8. STUDIO IMAGE AND OPERATING STANDARDS

8.1 **Compliance.** Franchisee acknowledges and agrees that every detail regarding the appearance and operation of its Studio is important to Franchisor, Franchisee, the System and other owners and operators of Neighborhood Barre Studios in order to maintain high and uniform operating standards, to increase demand for the classes sold by all franchisees, and to protect Franchisor’s and the System’s reputation and goodwill, and, accordingly, Franchisee agrees to comply strictly at all times with the requirements of this Agreement and the System Standards (whether contained in the Manual or any other written or oral communication to Franchisee by Franchisor) relating to the appearance or operation of the Studio. Franchisee acknowledges that other Neighborhood Barre Studios may operate under different forms of agreement with Franchisor, and that the rights and obligations of the Parties to other agreements may differ from those hereunder.

8.2 **Franchisor’s Right to Inspect.** To determine whether Franchisee is complying with this Agreement and the System Standards, Franchisor reserves the right, at any reasonable time and without prior notice, and subject to Applicable Laws, to inspect and assess all aspects of the Studio’s appearance and operations, including the right to: (1) inspect and examine the Studio premises, fitness equipment, facilities and operation of the Studio in person or by web accessible surveillance cameras with audio, which are required to be installed in each classroom in the Studio; (2) interview Franchisee and Franchisee’s employees and any independent contractors; (3) interview members and customers of and suppliers to the Studio and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Studio; and (5) use

“mystery shoppers,” who may pose as customers. Franchisor will bear the costs of all such initial inspections, but it reserves the right to require Franchisee to reimburse it costs (including travel expenses, room and board, employee/representative wages, and related fees) associated with re-inspections or follow-up visits that Franchisor or its designees conduct after any inspection of the Studio reveals one or more failures to comply with System Standards, and/or if any follow-up visit is necessary because Franchisor or its designated representatives were for any reason prevented from properly inspecting any part of the Studio.

8.3 **Personnel.** Franchisee must appoint an individual owner as the Operating Principal who must have authority over all business decisions related to the Studio and must have the power to bind Franchisee in all dealings with Franchisor. In addition, Franchisee must appoint a manager to manage the day-to-day business of the Studio (the “**Key Manager**”). The Operating Principal may serve as the Key Manager, unless Franchisors believe that he or she does not have sufficient experience or qualifications. The Operating Principal must be directly involved in the day-to-day operation and management of the Studio. The Operating Principal and Key Manager (if known at the time of signing) shall be listed on Exhibit E-1. Franchisee must provide Franchisor with written notice of the Operating Principal and Key Manager(s) at least 60 days prior to opening and may not change either the Operating Principal or Key Manager without Franchisor’s prior written approval. Franchisee agrees to engage in the operation of the Studio only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the System. Franchisee agrees to staff the Studio at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with this Agreement and the System Standards. Franchisee, not Franchisor, shall be considered the employer of all employees and the principal of all independent contractors of the Studio. It is the sole responsibility of Franchisee to hire, discipline, discharge and establish wages, hours, benefits, employment policies and other terms and conditions of employment for its employees and independent contractors. Franchisee is solely responsible for obtaining its own independent legal advice regarding the employment of employees and retention of independent contractors, and for complying with any and all Applicable Laws pertaining thereto. Franchisor shall have no responsibility for the terms and conditions of Franchisee’s relationship with Franchisee’s employees and/or independent contractors. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all Applicable Laws, including all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required. Franchisee acknowledges that nothing in this Section or Agreement shall, or may be construed to, create any type of employer or joint employer relationship between (a) Franchisee or any of Franchisee’s personnel, and (b) Franchisor in any matter.

#### 8.4 **Products and Services to be Offered for Sale.**

A. Approved Services and Approved Products Generally. Franchisor has the right to require that furniture, fixtures, signs, and equipment (the “**Operating Assets**”) and products, supplies, and services that Franchisee purchases for resale or purchases or leases for use in the Studio: (i) meet specifications that Franchisor establishes periodically; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that Franchisor has expressly approved; and/or (iv) be purchased or leased only from a single source that Franchisor designates (which may include Franchisor or its affiliates or a buying cooperative organized by Franchisor or its affiliates). Franchisee may offer to customers only the products, services, and classes Franchisor approves in writing. In addition, Franchisee must offer the specific products, services, and classes that Franchisor requires in the Manuals or otherwise in writing. Franchisor may change these specifications periodically, and Franchisor may designate specific products or services as optional or mandatory. Franchisee must offer all products or services that Franchisor designates as mandatory. Franchisee may sell products and services only in the varieties, forms, and packages that Franchisor has approved in accordance with the System Standards. Franchisee must maintain

a sufficient supply of required products to meet the inventory standards Franchisor prescribes in the Manuals (or to meet reasonably anticipated customer demand, if not prescribed specific standards).

B. *Required Use of Approved Suppliers.* Franchisee agrees that all exercise equipment must be purchased exclusively from approved suppliers, must be maintained according to manufacturer or Franchisor specifications, as applicable. Franchisee must, if required by Franchisor as a condition to site selection approval, use real estate attorney from the panel recommended by Franchisor to review and negotiate the lease for the Studio.

C. *No Deviation or Supplement with Regards to Approved Services and/or Related Methodology.* Franchisee and its instructors must teach classes exactly as specified in the Manual and in other training materials provided by Franchisor. Franchisee agrees not to add any exercises, barre methods, workout regimens, or other forms of instruction that are not approved by Franchisor, and Franchisee agrees not to leave out any exercises, barre methods, workout regimens, or other forms of barre instruction that are required by Franchisor.

D. *Non-Approved Services, Products or Suppliers.* If Franchisee would like to offer products or use any supplies, Operating Assets, or services that Franchisor has not approved or to purchase or lease from a supplier or service provider that Franchisor has not approved, Franchisee must submit a written request for approval and provide Franchisor with any information that it requests. Franchisor has the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. Proposed suppliers may be required to come to Franchisor's offices in order for Franchisor to make an evaluation. Franchisee must pay Franchisor an amount not to exceed the reasonable cost of the inspection and Franchisor's actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. If Franchisor specifies criteria for its approval of such goods, services, or vendors, Franchisor will publish them in the Manuals. Franchisor has the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on its judgment. Franchisor will notify Franchisee in writing of its decision as soon as practicable following its evaluation (within 60 days). If Franchisee does not receive Franchisor's approval within 60 days after submitting all of the information that Franchisor requests, then Franchisor's failure to respond will be deemed a disapproval of the request. Franchisee acknowledges that the products and services that Franchisor approves for Franchisee to offer in the Studio may differ from those that Franchisor permits or requires to be offered in other studios. Franchisor reserves the right to re-inspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider at and to revoke approval of the item, service, supplier, or service provider if any fail to meet any of Franchisor's then-current criteria. If Franchisor revokes approval of a previously approved product that Franchisee has been selling to customers or service that Franchisee has been offering to customers, Franchisee must immediately discontinue offering the service and may continue to sell the product only from existing inventory for up to 30 days following the disapproval. Franchisor has the right to shorten this period if, in its opinion, the continued sale of the product would prove detrimental to Franchisor's reputation. After the 30-day period, or such shorter period that Franchisor may designate, Franchisee must dispose of the remaining formerly approved inventory as Franchisor directs.

E. *Franchisor Rights.* Franchisee acknowledges and agrees that Franchisor and certain of its affiliates are (or may at any time in future become) an approved, designated, or sole supplier for certain fitness equipment, other equipment, products, logo items, signage and artwork, and other items and services used or sold in Neighborhood Barre Studios; that Franchisor and such affiliates may derive income from the sale of such items, and that the prices charged by Franchisor or such affiliates may reflect an ordinary and reasonable profit consistent with a business of the kind that produces and/or supplies such items. Franchisee acknowledges and agrees that Franchisor and its affiliates may sell products and services to members located anywhere, even if such products and services are similar to what Franchisor sells to

Franchisee and what Franchisee offers at its Studio. Franchisor and its affiliates may use the internet or alternative channels of commerce to sell products and services, including those identified by the Marks. Franchisee may only sell the products and services from the Studio's approved location and may only use the internet or alternative channels of commerce, as permitted by Franchisor, in order to register members for approved classes. Nothing in the foregoing shall prohibit Franchisee from obtaining members over the Internet provided Franchisee's internet presence and content comply with the requirements of this Agreement.

F. *Advertising Outside Designated Territory.* Unless Franchisor agrees otherwise, Franchisee may not actively solicit potential members or customers, or otherwise promote its Studio through any targeted advertising/marketing, outside of the Designated Territory. Nothing in this Agreement, however, shall prohibit Franchisee from servicing members and other customers that contact Franchisee or its Studio, regardless of where those members/customers reside or work.

G. *No Unauthorized Sales of Certain Items.* Unless Franchisor directs or agrees otherwise in writing, Franchisee agrees not to sell vitamins, supplements or other nutritional products or food items, including bottled water, at the Studio.

H. *Non-Compliance Fee.* In addition to Franchisor's other rights under this Agreement, Franchisor may charge its then-current per day Non-Compliance Fee for each day Franchisee offers or sells unauthorized products or services from the Studio.

8.5 **Compliance with Laws.** Franchisee agrees to comply with all Applicable Laws and, as soon as practicable, but in any event prior to conducting any activities in connection with the Studio, obtain all insurance required by this Agreement or Applicable Laws and any required governmental permits, certificates or licenses necessary to occupy the Authorized Location and operate the Studio. Franchisee also agrees to file and publish, if required by Applicable Laws, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsibility to investigate and comply with any Applicable Laws in the jurisdiction in which the Studio is located that relate to the ownership, development and operation of the Studio and businesses generally (including, for example, requirements related to accessibility, protection of personally identifiable information, having staff during operating hours that are trained in certain life-saving procedures, and having certain life-saving and first aid equipment on premises, form and content of membership agreements, and other requirements that relate to gyms, fitness facilities, health spas, and similar businesses). Franchisee agrees to immediately provide Franchisor with a copy of any notice received by Franchisee from any person or state, local or governmental agency pertaining to compliance with any Applicable Laws including any such notices that any audit, investigation, or similar proceeding by any such person or governmental authority is pending or threatened against Franchisee on the basis of any of any the foregoing. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control.

8.6 **Operational Efforts.** Franchisee agrees to keep Franchisor advised, in writing, of any Key Manager and all Authorized Neighborhood Barre Instructors involved in the operation of the Studio and their contact information. Franchisee agrees to keep the Studio open for the hours stated in the Manual and as deemed appropriate by Franchisor. If Franchisee does not have a Key Manager, then Franchisee (or its Operating Principal, as applicable) must be on-site at the Studio during normal business hours to manage day-to-day operations. Each Operating Principal must have the authority to act for Franchisee in all matters

relating to the Studio, including voting responsibilities. Any change in the Operating Principal(s) is subject to Section 14 below and the training requirements of this Agreement.

8.7 **Performance Standards.** Franchisee and Franchisor have a shared interest in the Studio performing at or above the System Standards. Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet the following performance standards (the “Performance Standards”):

A. *System Standards.* Franchisor may choose, in its sole discretion, to evaluate the Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, member comments/surveys, and secret shopper reports). Franchisee must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Franchisee’s employees, including any independent contractors, must meet minimum standards for courteousness and customer service.

B. *Minimum Monthly Gross Sales Quota.* Unless waived by Franchisor due to unique market conditions, Franchisee must meet a certain minimum monthly Gross Sales quota (the “Minimum Monthly Gross Sales Quota”), as follows: (i) Franchisee must achieve and maintain trailing 12-month average monthly Gross Sales of \$30,000 by the first (1<sup>st</sup>) anniversary of the opening of the Studio; and (ii) Franchisee must achieve and maintain trailing 12-month average monthly Gross Sales of \$40,000 by the second (2<sup>nd</sup>) and each successive anniversary of the opening of the Studio. If Franchisee fails to meet the Minimum Monthly Gross Sales Quota for 36 consecutive months at any time during the Term, Franchisor, at its sole discretion, may institute a mandatory corrective training program or terminate this Agreement upon written notice to Franchisee.

## 9. ADVERTISING AND MARKETING

### 9.1 **Fund.**

A. Franchisee will be required to pay the appropriate Fund Contribution to Franchisor as described in Section 5.6 of this Agreement. In the event Franchisor increases the Fund Contribution from what it is as of the Effective Date, Franchisor will provide at least sixty (60) days’ written notice of such increase in the Fund Contribution.

B. The Fund will be administered by Franchisor (or its affiliates) as it deems appropriate in its discretion. Franchisor may establish a marketing fund committee (the “MFC”) to serve in an advisory capacity only with respect to providing guidance and advice on Fund-related matters, but Franchisor is under no obligation to do so. In the event a MFC is established in connection with the Fund, Franchisor will determine how best to structure and work with the MFC and Franchisor will have the right to dissolve any established MFC upon thirty (30) days’ written notice to Franchisee. The Fund will be maintained and operated by Franchisor, as it deems appropriate in its discretion, to meet the costs of conducting regional and national advertising, promotional, marketing activities, as well as related technology and other brand development activities, that are deemed most beneficial to the System. The MFC would represent Neighborhood Barre Studio franchisees and advise Franchisor with regard to all advertising, marketing and public relations programs and activities financed by the Fund, including the creative concepts, materials and endorsements used and the geographic market, media placement and allocation. The MFC would be purely advisory in nature and would have no operational or ultimate decision-making authority.

C. Franchisee agrees that the Fund may be used to pay the costs of preparing and producing associated materials and programs as Franchisor may determine, including, without limitation, the use of social media; formulating, developing and implementing advertising and promotional campaigns; video, audio and written advertising materials employing advertising agencies; sponsorship of sporting, charitable

or similar events; administering regional, national and multi-regional advertising programs including purchasing direct mail and other media advertising, website development/operation and to pay Internet, Intranet, URL, 1-800 or similar number, and other charges, fees and/or expenses, including employing advertising agencies to assist with marketing efforts; supporting public relations, market research and other advertising, promotional and marketing activities; the reasonable costs of administering the Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to Franchisor's employees engaged in administration of the Fund and/or creation, development and/or placement of any creative and/or implementation of any campaigns associated with the same. A brief statement regarding the availability of Neighborhood Barre franchises may be included in advertising and other items produced using the Fund.

D. Franchisor may spend in any calendar year more or less than the total contributions to the Fund in that year. Franchisor may cause the Fund to invest any surplus for future use by the Fund. Franchisor (or its affiliates) may borrow from its affiliates (or Franchisor) or other lenders on behalf of the Fund to cover deficits of the Fund.

E. Franchisor, its affiliates, and/or their respective employees, agents, contractors, and designated vendors can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Fund.

F. The Fund need not be segregated from but will be accounted for separately from Franchisor's other funds and Franchisor will not use the Fund for its general operating expenses. All taxes of any kind incurred in connection with or related to the Fund, its activities, contributions to the Fund and/or any other Fund aspect, whether imposed on Franchisor, the Fund or any other related party, will be the sole responsibility of the Fund. Franchisor will not be required to audit the Fund, but will provide an annual accounting of the Fund at the written request of Franchisee that is made 120 days after the fiscal year at issue. All interest earned on monies contributed to, or held in, the Fund will be remitted to the Fund and will be subject to the restrictions of the relevant franchise agreements.

G. Franchisee acknowledges that the Fund Contributions are intended to maximize general public recognition of and the acceptance of the System and Marks generally, for the benefit of the System as a whole. Notwithstanding the foregoing, Franchisor undertakes no obligation, in administering the Fund Contributions to make expenditures that are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular Neighborhood Barre Studio benefits directly or pro rata from advertising or promotion conducted with the Fund Contributions.

H. Franchisor maintains the right to terminate the collection and disbursement of the Fund Contributions and the Fund. Upon termination, Franchisor will disburse the remaining funds for the purposes authorized under this Agreement.

## 9.2 **Initial Marketing Spend; Local Marketing Activities.**

A. *Grand Opening Marketing.* In addition to the Local Advertising Requirement, Franchisee is required to spend at least \$20,000 on certain sales and promotional activities that Franchisor designates or approves as part of the Grand Opening of the Studio that Franchisor typically requires Franchisee to conduct in at least the two months prior to the "soft opening" of the Studio through the launch and opening of the Studio (usually eight weeks after the soft opening). Franchisee may be required to expend all or some portion of these funds on products/services received from an Approved Supplier Franchisor designates or

approves, and all materials used in connection with the Grand Opening Marketing program must be approved by Franchisor if not previously designated for use by Franchisor.

B. *Local Advertising Requirement.* Franchisee shall spend during the term of this Agreement a minimum of \$1,000 per month on advertising in the Designated Market Area (either by way of direct promotion or participation in an Advertising Cooperative, as described in Section 11.4, below), as averaged each quarter. Franchisee shall provide Franchisor with evidence that such monies have been expended in reports as required under this Agreement. Franchisor retains the right to require that Franchisee's minimum local advertising expenditure be allocated (as directed by Franchisor) to advertising of certain types, using specific vendors, in particular channels or as a component of a broader campaign.

C. *Advertising Standards.* Franchisee's advertising will be in good taste and conform to ethical and legal standards and Franchisor's requirements. Franchisor may require Franchisee to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, or otherwise. Franchisor retains the right to approve, disapprove, or revoke its approval of such advertising, in its sole discretion. Franchisee agrees not to use any materials or programs or medium of advertising disapproved by Franchisor.

D. *Approval.* All advertising materials must be approved by Franchisor prior to use/publication. Franchisor may require Franchisee to (a) provide Franchisor with monthly reports detailing Franchisee's local advertising expenditures, and (b) expend all or some portion of the Local Advertising Requirement on designated activities or materials that are provided by designated or approved suppliers for these kind of services.

E. *Opening Support Program.* Franchisee must also expend all required amounts that Franchisor prescribes or otherwise approves as part of Franchisee's Pre-Sales Phase plan, including any amounts due to Franchisor's approved supplier for the Opening Support Program.

F. *Full Participation.* Franchisee must participate in all advertising and sales promotion programs that Franchisor may develop from time to time to promote and enhance the collective success of the System.

9.3 **Social Media Activities** As used in this Agreement, the term "Social Media" is defined as a network of services, websites, and other electronic, virtual, or digital mediums, including, but not limited to, blogs, microblogs, and social networking sites, video-sharing and photo-sharing sites, customer review sites, marketplace sites, Wikis, chat rooms and virtual worlds, that allows participants to communicate online and form communities around shared interests and experiences. While it can be a very effective tool for building brand awareness, it can also be devastating to a brand if used improperly. Therefore, Franchisee must strictly follow the Social Media guidelines, code of conduct, and etiquette as set forth in the Manual, which may require Franchisee to comply with Franchisor's then-current privacy policy. Any use of Social Media by Franchisee pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. Franchisor reserves the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Studio on such websites/pages (e.g., a system-wide Facebook page). At Franchisor's request, Franchisee will promptly modify or remove any online communication pertaining to the Studio that does not comply with this Agreement or the Manual.

9.4 **Franchisee Marketing Groups.** Franchisor may decide to form one or more associations and/or sub-associations of Neighborhood Barre Studios to conduct various marketing-related activities on a cooperative basis (a "Co-Op"). If one or more Co-Ops (local, regional and/or national) are formed covering Franchisee's area, then Franchisee must join and actively participate. Franchisee will be entitled to one (1) vote if Franchisee is in Good Standing at the time the vote is taken. Franchisee will be considered in "Good Standing" if it is not in default of any obligation to Franchisor or any of Franchisor's affiliates, whether

arising under this Agreement or any other agreement between Franchisee and Franchisor (or any of Franchisor's affiliates), the Manual or other System Standards. Franchisee may be required to contribute such amounts as are determined from time to time by such Co-Ops.

## 10. FINANCIAL REPORTS, AUDITS, COMPUTER SYSTEM AND INSURANCE REQUIREMENTS

10.1 **Records and Reports.** Franchisee shall maintain, preserve, and, upon request, provide to Franchisor, four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Studio as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee agrees that its financial records shall be accurate and up-to-date at all times. Franchisee agrees to promptly furnish any and all financial information, including tax records and returns, relating to the Studio to Franchisor on request.

10.2 **Right to Conduct Audit or Review.** Franchisor shall have the right, in its sole determination, to require a review by such representative(s) as Franchisor shall choose, of all information pertaining to the Studio, including financial records, books, tax returns, papers, and business management software programs of Franchisee, at any time during normal business hours without prior notice for the purpose of accurately tracking unit and System-wide sales, sales increases or decreases, effectiveness of advertising and promotions, and for other reasonable business purposes. Such review will take place at the Studio or Franchisee's head office (if different), or both, and Franchisee agrees to provide all information pertaining to the Studio requested by Franchisor during its review. If (a) the audit is conducted because of a failure by Franchisee to furnish reports, supporting records or other required information or to furnish the reports and information on a timely basis, or (b) the audit otherwise reveals an underreporting of two percent (2%) or more by Franchisee, then Franchisee shall reimburse Franchisor for all costs of the audit or review including, without limitation, travel, lodging, wage expense and reasonable accounting and legal expense. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

10.3 **Computer System and Software.** Franchisee must acquire a computer for use in the operation of the Studio, as well as any audio-visual equipment Franchisor specifies. Franchisee agrees to record all of its receipts, expenses, invoices, member lists, class schedules and other business information required by Franchisor from time to time promptly in the computer system and use the software that Franchisor specifies or otherwise approves. Franchisor reserves the right to change the computer system, and the accounting, business operations, customer service and other software at any time. Franchisee must upgrade and maintain the computer system and software in the Studio, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Franchisee will provide Franchisor with any passwords necessary to access the computer system and software at Franchisor's discretion.

10.4 **Information Security.** Franchisee may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“Personal Information”). Franchisee may gain access to such Personal Information from Franchisor, its affiliates, its vendors, or Franchisee’s own operations. Franchisee acknowledges and agrees that, as between it and Franchisor, all Personal Information (other than Restricted Data, as defined below) is Franchisor’s Confidential Information and is subject to the protections in Section 12 below. Franchisee acknowledges and agrees that Franchisor may from time-to-time share Franchisee’s and/or its owners’ names as well as personal and business addresses, telephone numbers, and e-mail addresses with Franchisor’s affiliates and third-parties.

During and after the Term, Franchisee (and if Franchisee is a legal entity, each of its Owners) agree to, and to cause its respective current and former employees, representatives, affiliates, successors, and assigns to: (a) collect, disclose, process, retain, and use all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Internet presence; (b) assist Franchisor with meeting its compliance obligations under applicable laws and regulations relating to Personal Information; and (c) promptly notify Franchisor of any communication or request from any customer or other data subject to access, correct, delete, opt-out of, or limit activities relating to any Personal Information.

If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, Franchisee will notify Franchisor immediately and specify the extent to which Personal Information was compromised or disclosed. Franchisee also agrees to follow Franchisor’s instructions regarding curative actions and public statements relating to the breach. Franchisor reserves the right to conduct a data security and privacy audit of any of the Studio and computer system at any time, from time to time, to ensure that Franchisee is complying with Franchisor’s requirements. Franchisee must promptly notify Franchisor if it receives any complaint, notice, or communication, whether from a governmental agency, customer or other person, relating to any Personal Information, or Franchisee’s compliance with Franchisee’s obligations relating to Personal Information under this Agreement, and/or if Franchisee has any reason to believe that it will not be able to satisfy any of its obligations relating to Personal Information under this Agreement.

Notwithstanding anything to the contrary in this Agreement, Franchisee agrees that Franchisor does not control or own any of the following Personal Information (collectively, the “Restricted Data”): (a) any Personal Information of employees, officers, contractors, owners or other personnel of Franchisee, its affiliates, or the Studio; (b) such other Personal Information as Franchisor may from time to time expressly designate as Restricted Data; and/or (c) any other Personal Information to which Franchisor does not have access. Regardless of any guidance Franchisor may provide generally and/or any specifications that Franchisor may establish for Personal Information, Franchisee has sole and exclusive responsibility for all Restricted Data, including establishing protections and safeguards for such Restricted Data.

10.5 **Insurance.**

A. Prior to opening the Studio for business and throughout the entire Term, Franchisee will keep in force at Franchisee’s own expense and by advance payment of the premium, all insurance coverages required by applicable law, and that it believes are appropriate for its own protection; Franchisee must, at a minimum, maintain the minimum insurance coverages and coverage amounts specified in the Manual from time to time, which as of the Effective Date are as follows:

(1) **Commercial General Liability** insurance covering Franchisee’s day-to-day business operations and premises liability exposures with limits not less than the following:

General Liability	\$1,000,000 each occurrence
	\$3,000,000 annual aggregate
	\$1,000,000 products-completed operations
	\$1,000,000 personal and advertising injury
	\$ 250,000 damage to premises rented to Franchisee
Professional Liability	\$1,000,000 each occurrence
	\$3,000,000 annual aggregate
Umbrella	\$5,000,000 aggregate
Hired and Non-Owned Auto	\$1,000,000 combined single limit
Workers’ Compensation	\$1,000,000 each accident
	\$1,000,000 each disease – policy limit
	\$1,000,000 each disease – each employee
Property	Full replacement cost on all business personal property

Such insurance shall include coverage for contractual liability (for liability assumed under an “insured contract”), products-completed operations, personal and advertising injury, premises liability, third party property damage and bodily injury liability (including death).

B. All insurance policies must be written by an insurance company licensed in the state in which Franchisee operates its Studio. The insurance company must have at least an “A” Rating Classification as indicated in A.M. Best’s Key Rating Guide.

C. Franchisor reserves the right, from time to time, in its discretion, to upgrade the insurance requirements or lower the required amounts as to policy limits, deductibles, scope of coverage, or rating of carriers in response to current industry standards, market conditions and/or landlord requirements. Within sixty (60) days of receipt of notice from Franchisor, Franchisee agrees to revise its coverage, as specified in any notice from Franchisor.

D. Franchisor reserves the right to designate, or require pre-approval of, the provider of any insurance required in connection with the Studio.

E. Franchisee's obligation to obtain and maintain insurance shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. At Franchisor's designation, Franchisor, as well as its parents, affiliates, and subsidiaries, shall be included as additional insureds on the Studio's insurance policies, including without limitation, the Studio's Commercial General Liability and any Umbrella Excess Liability insurance policies. All insurance policies must waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change or cancellation to any such policy. Franchisee shall give Franchisor certificates of coverage at least annually. Failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.1, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Studio. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

## 11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

11.1 **Independent Contractor.** The only relationship between Franchisor and Franchisee created by this Agreement is that of independent contractor. The business conducted by Franchisee is completely separate and apart from any business that may be operated by Franchisor and nothing in this Agreement shall create a fiduciary relationship between them or constitute either Party as agent, legal representative, subsidiary, joint venturer, partner, employee, servant or fiduciary of the other Party for any purpose whatsoever. Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a license from Franchisor, and Franchisee agrees to take such action including exhibiting a notice to that effect in such content, form and place as Franchisor may specify. It is further specifically agreed that Franchisee is not an affiliate of Franchisor and that neither Party shall have authority to act for the other in any manner to create any obligations or indebtedness that would be binding upon the other Party. Neither Party shall be in any way responsible for any acts and/or omissions of the other, its agents, servants or employees and no representation to anyone will be made by either Party that would create an implied or apparent agency or other similar relationship by and between the Parties.

11.2 **Indemnification.** Franchisee agrees to indemnify, defend and hold Franchisor, its owners, affiliates, successors and assigns, and the directors, officers, owners, managers, employees, servants, and agents of each (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement or in connection with the offer/sale of the Studio prior to the execution of this Agreement, (b) ownership, construction, development, management, or operation of the Studio in any manner, (c) gross negligence or intentional misconduct, and/or (d) alleging Franchisee's or its representatives' violation of Applicable Laws as set forth above. Notwithstanding the foregoing, any Indemnitee may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in

connection with such defense. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. Indemnitees need not seek recovery from any insurer or other third-party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Franchisee under this Section. Any Indemnitee's failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that person may recover from Franchisee under this Section.

## 12. CONFIDENTIAL INFORMATION

### 12.1 **Franchisor's Confidential Information.**

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Studio, including, without limitation, the Manual, Franchisor's training program, members and supplier lists, customer data, or other information or know-how distinctive to the development or operation of a Neighborhood Barre Studio (all of the preceding information is referred to herein as the "Confidential Information") is considered to be proprietary and trade secrets of Franchisor. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to Franchisor or its affiliates, or any Restricted Data. Franchisee (and its Owners, if Franchisee is a legal entity) agrees that during and after the Term, Franchisee will, and cause its spouses, immediate family members, affiliates, and assigns to: (i) process, retain, use, collect, and disclose Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of the Studio in accordance with this Agreement, and not for any other purposes of any kind; (ii) process, retain, use, collect, and disclose Confidential Information strictly in accordance with the privacy policies and System Standards and Franchisee's and its representative's instructions; (iii) keep confidential and not disclose, sell, distribute, or trade Confidential Information to any person other than those of Franchisee's employees, independent contractors, and representatives who need to know such Confidential Information for the purpose of assisting Franchisee in its operation of the Studio in accordance with this Agreement; (iv) not make unauthorized copies of any portion of Confidential Information; (v) adopt and maintain administrative, physical, and technical safeguards to prevent unauthorized use or disclosure of any portion of Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve Franchisor's rights and controls in such Confidential Information, in each case that are no less protective or beneficial to Franchisor than the terms of this Agreement; and (vi) at Franchisor's request, destroy or return any portion of the Confidential Information. Upon Franchisor's request, Franchisee shall require the Studio's employees and any independent contractors to execute a nondisclosure and non-competition agreement in a form satisfactory to Franchisor. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the development and operation of its Studio in accordance with this Agreement. If Franchisee or Franchisee's employees or any independent contractors learn about an unauthorized use of any Confidential Information, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee acknowledges that Franchisor is not making any representations or warranties, express or implied, with respect to the Confidential Information. Franchisor and its affiliates have no liability to Franchisee and its affiliates for any errors or omissions from the Confidential Information.

C. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Studio developed by or on behalf of Franchisee that relates to or enhances Neighborhood Barre Studios or the System, or any aspect of Franchisor's business, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all necessary documents to memorialize said ownership, or, if necessary, Franchisee's assignment of such ownership to Franchisor, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees.

D. Notwithstanding the foregoing, nothing in this Agreement restricts or prohibits Franchisee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Securities and Exchange Commission, or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. Franchisee does not need the prior authorization of Franchisor to engage in conduct protected by the preceding sentence, and Franchisee does not need to notify Franchisor that Franchisee has engaged in such conduct. Nothing in this provision is intended to exert controls over Franchisee's relationships with its employees or to create or imply an employment relationship between Franchisor and Franchisee or Franchisee's employees.

12.2 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Section 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Section 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16 and elsewhere herein to enforce the terms of this Section 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Section 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

### 13. COVENANTS NOT TO COMPETE

#### 13.1 **Non-Competition Covenants of Franchisee.**

A. *During the Term of this Agreement.* Franchisee acknowledges that it will receive valuable, specialized training and confidential information regarding the System and Franchisor and its affiliates' businesses. During the Term, Franchisee and its owners, principals, or guarantors ("**Restricted Parties**") may not, without Franchisor's prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity: (i) teach or lead, or train individuals to teach or lead, any barre-based fitness classes or classes that include a barre component ("**Competitive Classes**") at any location in the United States or via any alternative channels of distribution, such as the Internet, webinar, or other video services; (ii) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (a) any fitness studio or similar facility or business that generates 25% or more of its revenue from Competitive Classes or (b) any entity that grants franchises or licenses for any of these types of businesses (collectively, each, a "**Competitive Business**") at any location in the United States; (iii) divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Classes or Competitive Business, by direct or indirect inducement or otherwise; (iv) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (v) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Studio.

B. *After the Term of this Agreement.* For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, the Restricted Parties shall be subject to the same

restrictions as in Section 13.1.A (During Term), except the restrictions in Section 13.1.A(i) and 13.1.A(ii) shall be geographically limited to any location within a ten-mile radius of the former Studio or any other Studio that is operating or under development at the time of such expiration, termination, or Transfer. With respect to the individuals that are Restricted Parties, the time period in this Section 13.1.B will run from the expiration, termination, or Transfer of this Agreement or from the termination of the individual's relationship with Franchisee, whichever occurs first.

### 13.2 **Enforcement of Covenants.**

A. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of the covenants in this Section 13. Franchisee acknowledges and agrees that in view of the nature of the System and the business of Franchisor, the restrictions contained in this Section 13 are reasonable and necessary to protect the legitimate interests of the System and Franchisor. Franchisee further acknowledges and agrees that Franchisee's violation of the terms of this Section 13 will cause irreparable injury to Franchisor for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to preliminary and permanent injunctive relief and damages, as well as, an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which Franchisor shall be entitled. Franchisee agrees to waive any bond that may be required or imposed in connection with the issuance of any preliminary or provisional relief. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Section 13. If Franchisee violates any restriction contained in this Section 13, and it is necessary for Franchisor to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted. If Franchisee contests the enforcement of Section 13 and enforcement is delayed pending litigation, and if Franchisor prevails, the period of non-competition shall be extended for an additional period equal to the period of time that enforcement of this Section 13 is delayed.

B. Franchisee agrees that the provisions of this covenant not to compete are reasonable. If, however, any court should find this Section 13 or any portion of this Section 13 to be unenforceable and/or unreasonable, the court is authorized and directed to reduce the scope or duration (or both) of the provision(s) in issue to the extent necessary to render it enforceable and/or reasonable and to enforce the provision so revised.

C. Franchisor shall have the right, in Franchisor's discretion, to reduce the scope of any covenant not to compete set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee shall comply with any covenant as so modified.

## 14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** For purposes of this Agreement, "Transfer" as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the Studio, substantially all the assets of the Studio, or in the ownership of the franchisee entity. "Transfer" as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance. A "Control Transfer" means any Transfer of (i) this Agreement or any interest in this Agreement; (ii) the Studio or all or substantially all of the Studio's assets; or (iii) any Controlling Ownership Interest (defined below) in the Franchisee entity, whether directly or indirectly through a transfer of legal or beneficial ownership interests in any owner that is an entity, and whether in one transaction or a series of related transactions, regardless of the time period over which these transactions take place. References to a "Controlling Ownership Interest" in Franchisee mean either (a) 20% or more of the direct or indirect legal or beneficial ownership

interests in the Franchisee entity or (b) an interest, the acquisition of which grants the power (whether directly or indirectly) to direct or cause the direction of management and policies of Franchisee or the Studio to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition. This Agreement is personal to Franchisee, and Franchisor has granted the rights in this Agreement in reliance on Franchisee and its owners' business skill, financial capacity, and personal character. Accordingly, neither Franchisee nor any owner nor any successors to any part of Franchisee's interest in this Agreement may make any Transfer or permit any Transfer to occur without obtaining Franchisor's prior written consent, except as provided in Section 15. Any purported Transfer, without Franchisor's prior written consent, will be null and void and will constitute an Event of Default (as herein defined), for which Franchisor may terminate this Agreement without opportunity to cure.

**14.2 Conditions for Approval of Transfer.** If Franchisee or any of its owners desire to make a Transfer, Franchisee must promptly provide Franchisor with advance written notice and must submit a copy of all proposed contracts and other information concerning the Transfer and transferee that Franchisor reasonably requires. Franchisor has the right to communicate with both Franchisee, its counsel, and the proposed transferee on any aspect of a proposed Transfer. No Transfer that requires Franchisor's consent may be completed until at least 60 days after Franchisor receives written notice of the proposed Transfer. Franchisor has the sole and absolute discretion to withhold its consent, except as otherwise provided in Sections 14.2.C (Transfer for Convenience), 14.2.D (Permitted Transfers), and 14.3 (Death or Disability of Franchisee), and Franchisor may condition its consent on compliance with any conditions that Franchisor specifies. If the Studio is not open and operating, Franchisor will not consent to Franchisee's Transfer of this Agreement, and Franchisor are under no obligation to do so. Franchisor's consent to a Transfer does not constitute a waiver of any claims that Franchisor has against the transferor, nor is it a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement.

- A. Control Transfer. For a proposed Control Transfer, in addition to any other conditions that Franchisor reasonably specifies, the following conditions apply (unless waived by Franchisor):
- a. When Franchisee provides written notice of the proposed Transfer, Franchisee must pay to Franchisor a non-refundable deposit of \$5,000 to cover Franchisor's administrative costs incurred in reviewing the proposal. The deposit will be applied towards the Transfer Fee in the event that the Transfer is completed, but will not be refunded if the Transfer is not completed.
  - b. Franchisee or the transferee must pay to Franchisor the applicable Transfer Fee. Franchisee must make such payment by wire transfer from the proceeds of the sale at the closing if Franchisor so requests.
  - c. Franchisee must satisfy all of its accrued monetary obligations to Franchisor and must be in compliance with all obligations to Franchisor under this Agreement and any other agreement that Franchisee has with Franchisor and its affiliates as of (i) the date of the request for Franchisor's approval of the Transfer or Franchisee must make arrangements satisfactorily to Franchisor to come into compliance by the date of the Transfer and (ii) the date of the Transfer.
  - d. Franchisee and its owners must execute a general release, in a form that Franchisee prescribes, in favor of Franchisee, its affiliates, and its and their affiliates' past, present, and future officers, directors, managers, members, equity holders, agents, and employees, releasing them from all claims, including claims arising under federal, state, and local laws, rules, and regulations.
  - e. Franchisee and its owners must agree to remain liable for all of the obligations to Franchisee in connection with the Studio arising before the effective date of the Transfer and execute any and all instruments that Franchisee reasonably request to evidence such liability.
  - f. Franchisee and its Owners must continue to be bound by the provisions of Sections 4 (Trademark Standards), 12 (Confidential Information), 11.2 (Indemnification), and 13

(Covenants Not to Compete) as if they were the Franchisee and this Agreement had expired or terminated as of the effective date of the Transfer.

- g. Franchisee must provide Franchisor with written notice from Franchisee's landlord indicating that Franchisee's landlord has agreed to transfer the site lease to Franchisee's transferee.
  - h. Franchisee's proposed transferee (or, if the transferee is not an individual, all owners of any legal or beneficial interest in the transferee) must demonstrate to Franchisor's satisfaction that such transferee meets all of Franchisor's then-current qualifications to become a Neighborhood Barre franchisee, including not having any involvement with a Competing Business, and if the transferee is already a Neighborhood Barre franchisee, the transferee must not be in default under any of their agreements with Franchisor and must have a good record of customer service and compliance with the System Standards.
  - i. Franchisee's proposed transferee and their representatives must successfully complete Franchisor's then-current training requirements at their expense.
  - j. Franchisee's proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as Franchisor may request) must (i) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guarantee all of Franchisee's obligations under this Agreement and (ii) must execute Franchisor's then-current form of personal guarantee.
  - k. Franchisee's proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as Franchisor may request) must execute, for a term ending on the last day of the existing Term and with such Successor Term as is provided by this Agreement, Franchisor's then-current franchise agreement for new franchisees and such other agreements as Franchisor may require, which agreements will supersede this Agreement in all respects. The terms of the new franchise agreement may differ significantly from the terms of this Agreement, including different fees. The prospective transferee will not be required to pay any initial Franchise Fee.
  - l. Franchisee's proposed transferee must make arrangements to modernize, renovate, or upgrade the Studio, at its expense, to conform to Franchisor's then-current System Standards for new Neighborhood Barre Studios.
  - m. Franchisee's proposed transferee must covenant that it will continue to operate the Studio under the Marks and using the System.
  - n. Franchisor must determine, in Franchisor's sole discretion, that the purchase price and payment terms will not adversely affect the operation of the Studio. If Franchisee or its owners finance any part of the purchase price, Franchisee and they must agree that all obligations under promissory notes, agreements, or security interests reserved in the Studio are subordinate to the transferee's obligation to pay all amounts due to Franchisor and Franchisor's affiliates and otherwise to comply with this Agreement.
- B. Non-Control Transfers. For any Transfer that does not result in a Control Transfer, in addition to any other conditions that Franchisor reasonably specifies, Franchisee and/or the transferee must satisfy (unless waived by Franchisor) the conditions in Sections 14.2.A(b) (pay the applicable Transfer Fee), 14.2.A(c) (comply with obligations), 14.2.A(d) (sign general release), 14.2.A(e) (remain liable for pre-Transfer obligations), 14.2.A(f)(remain bound to certain provisions), 14.2.A(h)(transferee meets qualifications), and 14.2.A(j) (sign assignment and guaranty). Franchisee and its owners must sign the form of agreement and related documents that Franchisor then specify to reflect the new ownership structure.
- C. Transfer for Convenience. Franchisor will consent to the assignment of this Agreement to an entity that Franchisee forms for the convenience of ownership, provided that: (i) the entity has and will have no other business besides operating Neighborhood Barre Studios; (ii) Franchisee satisfies the conditions in Sections 14.2.A(b) (pay the applicable Transfer Fee), 14.2.A(c) (comply with

obligations), 14.2.A(d) (sign general release), 14.2.A(e) (remain liable for pre-Transfer obligations), 14.2.A(f)(remain bound to certain provisions), 14.2.A(h)(transferee meets qualifications), and 14.2.A(j) (sign assignment and guaranty);and (iii) the Owners hold equity interests in the new Entity in the same proportion shown on Exhibit I.

- D. **Permitted Transfers.** The other provisions in this Section do not apply, including Franchisor’s right of first refusal and right of approval, to the following Transfers:
- a. **Security Interests.** Franchisee may grant a security interest in the site (if Franchisee owns the site), the Studio, any Operating Assets, this Agreement, or any direct or indirect legal and/or beneficial interest in Franchisee to a financial institution or other party that provided or provides any financing Franchisee’s acquisition, development, and/or operation of the Studio, but only if that party signs Franchisor’s then-current form of lender consent to protect Franchisor’s rights under this Agreement. Any foreclosures or other exercise of the rights granted under that security interest are subject to all applicable terms and conditions of this Section 14.
  - b. **Transfer to a Trust.** Any owner who is an individual may Transfer his or her ownership interest in Franchisee (or any of its owners that is an entity) to a trust that he or she establishes for estate planning purposes, as long as he or she is a trustee of the trust and otherwise controls the exercise of the rights in Franchisee (or its owner) held by the trust. Franchisee must provide Franchisor with advance written notice of such proposed Transfer and copies of the trust documentation that demonstrates Franchisee’s compliance with this provision at least 30 days before the Transfer’s anticipated effective date. Dissolution of, or transfers from, any trust described in this Section 14.2.D(b) are subject to all applicable terms and conditions of this Section 14.

14.3 **Death or Disability of Franchisee.** If Franchisee or any owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person’s executor, administrator, personal representative, or trustee must apply to Franchisor in writing within three months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person’s interest. The Transfer will be subject to the provisions of this Section 14, as applicable, except there shall be no Transfer Fee due. In addition, if the deceased or incapacitated person is Franchisee or the Operating Principal, then Franchisor will have the right (but not the obligation) to take over operation of the Studio until the Transfer is completed and to charge a reasonable management fee. For purposes of this Section, “incapacity” means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement (i) for a period of 30 or more consecutive days or (ii) for 60 or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the then-current requirements to be a franchisee the executor may transfer the decedent’s interest to another successor that Franchisor has approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 14.3 within 120 days after the date of death or appointment of a personal representative or trustee, Franchisor may terminate this Agreement.

14.4 **Relocation.** If Franchisee relocates the Studio from to a new location, then Franchisor will charge Franchisee for the reasonable costs that it incurs in connection with any proposed relocation (the “Relocation Fee”).

14.5 **Franchisor’s Right of First Refusal.** Franchisor has the right, exercisable within 30 days after receipt of the notice of Franchisee’s intent to Transfer and such documentation and information that Franchisor requires, to send written notice to Franchisee that Franchisor intends to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at Franchisor’s option, the cash equivalent thereof. If Franchisee and Franchisor cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, Franchisor will designate, at Franchisor’s expense, an independent appraiser to determine the fair market value of the interest proposed

to be transferred. Franchisor may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise its rights. Franchisor must receive, and Franchisee and its owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or ownership interests in an entity, as applicable, including (i) representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased, and (ii) indemnities for all actions, events and conditions that existed or occurred in connection with the Studio or the business prior to the closing of Franchisor's purchase. Closing on the purchase must occur within 90 days after the date of Franchisor's notice to the seller electing to purchase the interest. Franchisor may assign its right of first refusal to another entity or person either before or after Franchisor exercises it. However, Franchisor's right of first refusal will not apply with regard to Transfers to an entity under Section 14.2.D (Permitted Transfers) or 14.3 (Death, or Disability of Franchisee) or Transfers to Franchisee's spouse, son, or daughter.

If Franchisor elects not to exercise its rights under this Section, the transferor may complete the Transfer after complying with the applicable provisions in Section 14.2. Closing of the Transfer must occur within 90 days of Franchisor's election (or such longer period as Applicable Laws may require); otherwise, the third-party's offer will be treated as a new offer subject to Franchisor's right of first refusal. Any material change in the terms of the offer from a third-party after Franchisor has elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. The Transfer is conditional upon Franchisor's determination that the Transfer was on terms substantially the same as those offered to us.

**14.6 Transfer by Franchisor.** Franchisor shall have the right to transfer, assign or delegate all or any part of its rights or obligations herein to any person or legal entity, directly or indirectly, by merger, assignment, pledge or other means.

## 15. DEFAULT AND TERMINATION OF AGREEMENT

**15.1 Termination of Franchise by Franchisor.** Any one or more of the following constitutes an "Event of Default" under this Agreement giving Franchisor the right to terminate this Agreement:

A. Franchisee or any owner makes any material misrepresentations or omissions in connection with Franchisee's application to Franchisor for the franchise, this Agreement, or any related documents, or Franchisee submits to Franchisor any report or statement that Franchisee knows or should know to be false or misleading;

B. Franchisee, or its Key Manager or any other personnel required to attend, fail to successfully complete initial training to Franchisor's satisfaction at least ten days before the Opening Deadline;

C. Franchisee fails to sign a lease for the site or purchase agreement that Franchisee has approved for a site that Franchisor has accepted by the Site Acquisition Deadline;

D. Franchisee fails to open for business by the Opening Deadline;

E. Franchisee fails to renovate the Studio as required within the applicable time periods;

F. Franchisee fails to maintain possession of the site and fails to secure Franchisor's approval of and enter into a lease for a new, accepted site within 90 days after the expiration or termination of the original site lease;

G. Franchisee voluntarily suspends operation of the Studio without Franchisor's prior written consent for five or more consecutive business days on which Franchisee was required to operate, unless Franchisor determines, in its sole discretion, that the failure was beyond Franchisee's control;

H. After multiple attempts to reach Franchisee via telephone, e-mail, or other written correspondence, Franchisee fails to communicate with Franchisor within seven days after Franchisor sends Franchisee a written communication in accordance with the Notice Section of this Agreement notifying

Franchisee of Franchisor's attempts to reach Franchisee and Franchisor's need to receive a response from Franchisee.

I. Franchisee's Operating Principal, Key Managers, or any representatives that Franchisor designates fail to attend or participate in two or more required franchise conventions, meetings, and teleconferences during any 12-month period, without Franchisor's prior written consent;

J. Any owner or any officers or directors are convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that Franchisor believes is likely to have an adverse effect on the franchise system, the Marks and any associated goodwill, or the Neighborhood Barre concept (an "**Adverse Effect**") or Franchisee, any owner, or any of officers or directors has engaged in or engages in activities that, in Franchisor's reasonable opinion, are reasonably likely to have an Adverse Effect;

K. Franchisee uses any of the Marks or any other identifying characteristic of Franchisor other than in the operation or promotion of the Studio;

L. Franchisee or any of its owners, directors, or officers disclose or divulge the contents of the Manuals or other Confidential Information contrary to Section 13 (Confidential Information);

M. Any Transfer occurs that does not comply with Section 14 (Transfer of Interest), including a failure to transfer to a qualified successor after death, disability, or bankruptcy within the time allowed by Section 14.3 (Death or Disability of Franchisee);

N. Franchisee or any owner violates the noncompete covenants in Section 13 (Covenants Not to Compete);

O. Franchisee breaches or fails to comply with any law, regulation, or ordinance which results in a threat to the public's health or safety and fail to cure the non-compliance within 24 hours following receipt of notice thereof from Franchisor or applicable public officials, whichever occurs first;

P. Franchisee becomes insolvent or makes an assignment for the benefit of creditors, execution is levied against Franchisee's business assets, or a suit to foreclose any lien or mortgage is instituted against Franchisee and not dismissed within 30 days;

Q. Franchisee fails, refuses, or neglects to pay any monies owing to Franchisor or its affiliates or fails to make sufficient funds available to Franchisor as provided in Section 5.10 (Electronic Transfer) within ten days after receiving written notice of default or 30 days after due date of the payment, whichever is the shorter period; (ii) Franchisee has previously been given at least two notices of nonpayment for any reason within the last 24 months and Franchisee subsequently fails to timely pay when due any monies; or (iii) Franchisee fails to do all things necessary to give Franchisor access to the information contained in Franchisee's computer system within 10 days after receiving notice;

R. Franchisee is more than 60 days past due on its obligations to suppliers and trade creditors in an amount exceeding \$2,000, unless Franchisee has given Franchisor prior notice that the failure to pay is a result of a bona fide dispute with such supplier or trade creditor that Franchisee is diligently trying to resolve in good faith;

S. Franchisee fails to pay when due any federal, state or local income, service, sales or other taxes due on the Studio's operation, unless Franchisee is in good faith contesting the liability for these taxes;

T. Franchisee underreports Gross Sales by more than 2% two times or more in any two-year period or by 5% or more for any period of one week or greater;

U. Franchisee refuses to permit, or tries to hinder, an examination, inspection, or audit of its books and records, the Studio, or the site as required by this Agreement;

V. Franchisee fails to timely file any periodic report required in this Agreement or the Manuals three or more times in a 12-month period, whether or not Franchisor provides written notice of such default or Franchisee subsequently cures the default;

W. Franchisee or its affiliates default under any other franchise agreement or other agreement between Franchisee or its affiliates and Franchisor or its affiliates, provided that the default would permit Franchisor or its affiliate to terminate such agreement;

X. Franchisee breaches or fails to comply with any other covenant, agreement, standard, procedure, practice, or rule prescribed by Franchisor, whether contained in this Agreement, in the Manuals, or otherwise in writing and fails to cure such breach or failure to Franchisor's satisfaction within 30 days

(or such longer period as Applicable Laws may require) after Franchisor provides Franchisee with written notice of the default; or

Y. Franchisee is in default three or more times within any 18-month period, whether or not the defaults are similar and whether or not they are cured.

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

15.3 **Obligations of Franchisee upon Termination, Expiration or Non-Renewal.** Franchisee covenants and agrees that upon expiration or termination of this Agreement for any reason, unless Franchisor directs Franchisee otherwise:

A. **Payment of Costs and Amounts Due.** Franchisee will pay upon demand all sums owing to Franchisor and its affiliates. If this Agreement is terminated due to an Event of Default, Franchisee will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of Franchisor against the Studio premises and any and all of the personal property, fixtures, equipment, and inventory that Franchisee owns at the time of the occurrence of the Event of Default. Franchisor is hereby authorized at any time after the Effective Date to make any filings and to execute such documents on Franchisee's behalf to perfect such lien. Franchisee also will pay to Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, that Franchisor incurs after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this Section 15.3.

B. **Discontinue Use of the System and the Intellectual Property.** Franchisee must immediately cease using, by advertising or in any other manner, (i) the Intellectual Property (including, without limitation, the Marks and the Trade Dress), (ii) the System and all other elements associated with the System, and (iii) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

C. **Return of Confidential Information.** Franchisee must immediately return to Franchisor, at Franchisee's expense, all copies of the Manuals, all customer information, and all other Confidential Information (and all copies thereof). Franchisee may not use any Confidential Information or sell, trade, or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

D. **Cease Identification with Franchisor.** Franchisee must immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to Franchisee's use of the Marks and (ii) to, in accordance with Franchisor's directions, cancel or transfer to Franchisor or its designee all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, the Studio or the Marks (collectively, "**Identifiers**"). Franchisee acknowledges that as between Franchisee and Franchisor, Franchisor has the sole rights to and interest in all Identifiers. If Franchisee fails to comply with this Section 15.3, Franchisee hereby authorizes Franchisor and irrevocably appoint Franchisor or its designee as Franchisee's attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider, and all listing agencies or providers to transfer such Identifiers to Franchisor. The telephone company, the postal service, registrars, Internet Service Providers listing agencies, and other providers may accept such direction by Franchisor pursuant to this Agreement as conclusive evidence of Franchisor's exclusive rights in such Identifiers and Franchisor's authority to direct their transfer.

E. Franchisor's Right to Purchase Studio Assets.

- 1) Exercise of Option. Upon termination of this Agreement for any reason (other than Franchisee's termination in accordance with Section 15.5 (Termination By Franchisee)) or expiration of this Agreement without signing a successor franchise agreement, Franchisor has the option to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of the Studio that Franchisor designates (the "**Purchased Assets**"). As a first step in exercising this option, Franchisor must give Franchisee written notice within 15 days after the date of termination or expiration of Franchisor's intent to conduct due diligence (the "**Exercise Notice**"). Franchisor has the unrestricted right to exclude any assets it specifies relating to the Studio from the Purchased Assets and not acquire them. Franchisee agrees to provide Franchisor the financial statements and other information Franchisor reasonably requires, and to allow Franchisor to inspect the Studio and its assets, to determine whether to exercise its option. If Franchisee, its owners, or one of its affiliates owns the site, Franchisor may elect to include a fee simple interest in the site as part of the Purchased Assets or, at Franchisor's option, lease the site from Franchisee, its owner (or an entity controlled by such owner), or Franchisee's affiliate for an initial 10-year term with one renewal term of five years (at Franchisor's option) on commercially reasonable terms, which shall include the right to sublease the site to another party. Franchisee and its owners agree to cause the affiliate or any entity controlled by such owner to comply with these requirements. If Franchisee leases the site from an unaffiliated lessor, Franchisee agrees (at Franchisor's option) to assign the lease to Franchisor or to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the lease.
- 2) Operations Pending Purchase. Franchisor may require Franchisee to continue to operate the Studio in accordance with this Agreement during the period between the expiration or termination of this Agreement through (i) the date on which Franchisor decides to decline its right to exercise this option (or the expiration of the option, if Franchisor fails to provide an Exercise Notice by the deadline) or (ii) the closing of the purchase. However, Franchisor may, at any time during that period, assume the management of the Studio itself or appoint a third party (who may be its affiliate) to manage the Studio.
- 3) Purchase Price. The purchase price for the Purchased Assets will be their fair market value for use in the operation of a non-franchised Competing Business (and not a Studio). However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, the brand image, any Confidential Information or Franchisor's other intellectual property rights, or participation in the network of Neighborhood Barre Studios. For purposes of determining the fair market value of all equipment (including the exercise equipment and computer system) used in operating the Studio, the equipment's useful life shall be determined to be no more than three years. If Franchisor and Franchisee cannot agree on fair market value for the Purchased Assets, Franchisor will select an independent appraiser after consultation with Franchisee, and his or her determination of fair market value will be the final and binding purchase price.
- 4) Closing. Franchisor will pay the purchase price at the closing, which will take place within 60 days after the purchase price is determined, although Franchisor may decide after the purchase price is determined not to complete the purchase. Franchisor may set off against the purchase price, and reduce the purchase price by, any and all amounts Franchisee owes Franchisor or its affiliates. Franchisor is entitled to all customary representations, warranties, and indemnities in Franchisor's asset purchase, including (a) representations

and warranties as to (i) ownership and condition of, and title to, assets, (ii) liens and encumbrances on assets, (iii) validity of contracts and agreements, and (iv) liabilities affecting the assets, contingent or otherwise, and (b) indemnities for all actions, events and conditions that existed or occurred in connection with the Studio or Franchise's business prior to the closing of the purchase. At the closing, Franchisee agrees to deliver instruments transferring to Franchisor: (x) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to Franchisor), with all sales and transfer taxes paid by Franchisee; and (y) all of the Studio's licenses and permits which may be assigned or transferred. If Franchisee cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. Franchisee and its owners further agree to sign general releases, in a form satisfactory to Franchisor, of any and all claims against Franchisor, its affiliates, and its and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns.

- 5) Assignment. Franchisor may assign its rights under this Section 15.3 to any individual or entity (which may be affiliated with Franchisor), and that person or entity will have all of the rights and obligations under this Section 15.3.

F. De-identification of the Site. If Franchisor does exercise its option to acquire the site lease or the site, Franchisee will make such modifications or alterations to the site immediately upon termination or expiration of this Agreement that Franchisor deems necessary to distinguish the appearance of the site from a Neighborhood Barre Studio, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that Franchisee is no longer associated with Franchisor. If Franchisee does not comply with the requirements of this Section, Franchisor may enter the Studio without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. Franchisee agrees to reimburse Franchisor on demand for its expenses in making such changes.

G. Reimbursement of Unused Classes. In addition to any procedures that Applicable Laws require, Franchisor may require Franchisee to notify all of the Studio's customers of the termination or expiration of this Agreement in a manner that Franchisor specifies and offer each of them the option to receive a refund of all unused prepaid class credits, which Franchisee is solely responsible for refunding to them in a manner that Franchisor may specify. Franchisor must approve in writing the content of any such notice, prior to Franchisee contacting any of the Studio's customers, and may elect to send the notice on Franchisee's behalf.

H. Promote Separate Identity. Franchisee will not, directly or indirectly, in any manner, identify itself, or any individual connected with it, as a former Neighborhood Barre franchisee or as otherwise having been associated with Franchisor.

I. Comply with Noncompete. Franchisee and its owners must comply with the covenant not to compete in Section 13 (Covenants Not to Compete).

J. Injunctive and Other Relief. Franchisee acknowledges that its failure to abide by the provisions of this Section 15 will result in irreparable harm to Franchisor and that its remedy at law for damages will be inadequate. Accordingly, Franchisee agrees that if it breaches any provisions of this Section 15, Franchisor is entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

K. Liquidated Damages. If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream

we otherwise would have derived from your continued payment of Royalties, and that the Marketing Fund and Local Advertising Cooperatives would have otherwise derived from your continued contributions to those funds, through the remainder of the term of this Agreement. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the “Lost Revenue Damages”), is an amount equal to the net present value of the Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) three (3) years following the date of termination, or (b) the scheduled expiration of the term of this Agreement. For the purposes of this Section 15.3K, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of System’s average Neighborhood Barre Studio during the twelve (12) full calendar months immediately preceding the termination date; provided, that if as of the termination date, Franchisee’s Studio has not been operating for at least twelve (12) months, Royalties, Marketing Fund Contributions and Local Advertising Cooperative Contributions will be calculated based on the average monthly Gross Sales of all Neighborhood Barre Studios operating under the Marks during our fiscal year immediately preceding the termination date. You agree to pay us Lost Revenue Damages, as calculated in accordance with this Section 15.3K, within fifteen (15) days after this Agreement is terminated. You and we agree that the calculation described in this Section 15.3K is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of the Agreement.

**15.4 Franchisor’s Rights and Remedies in Addition to Termination.** If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor’s right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, or if Franchisor has issued a notice to Franchisee in exercise of its rights to purchase the Studio under Section 15.3.E above, then, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee, cure such default on Franchisee’s behalf and, in its discretion, either directly or through its designee, enter upon and take possession of the Studio, for a period not to exceed 180 days, and thereafter take, in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement. Franchisee agrees that any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Studio. If Franchisor exercises its rights under this Section, then Franchisor is not required to use Franchisee’s employees and reserves the right to designate its own personnel to manage and operate the Studio.

During the period in which Franchisor or its designee operates the Studio under this Section, Franchisee will cooperate with Franchisor and its designees to support the operation of the Studio in compliance with all the System Standards, including making available any and all books, records, and accounts. Franchisee agrees that all funds derived from the operation of the Studio during this period will be held and used solely by Franchisor or its designee, will be used to pay expenses associated with the operation of the Studio (including payment of any fees and other amounts owed by Franchisee to Franchisor under this Agreement and Franchisor’s then-current fee for such interim operation of the Studio), and will be accounted for separately from Franchisor’s other revenue and expenses.

Franchisee agrees that Franchisor or its designee must exercise only a reasonable degree of care in operating the Studio and is under no duty to take extraordinary measures or, in any way, fund the operations to ensure the Studio’s success or continued operations during or after such period. Franchisee agrees that it continues to bear the sole liability for any and all accounts payable, obligations, and/or contracts, including all obligations under the Studio lease and all obligations to its vendors and employees and contractors, unless and until Franchisor expressly assumes them in connection with the purchase of the Studio under Section 15.3.E above. Franchisor may elect to cease such interim operations of the Studio at

any time with notice to Franchisee. Franchisor (or its designee) will not be liable to Franchisee or its owners for any debts, losses, or obligations the Studio incurs, or to any of Franchisee's creditors.

Franchisor's decision to operate the Studio on an interim basis, will not affect Franchisor's right to terminate this Agreement under Section 15.1.A(4) above. Franchisee's indemnification obligations set forth under Section 11.2 will continue to apply during any period that Franchisor or its designee operate the Studio.

**15.5 Termination By Franchisee.** Franchisee may terminate this Agreement only if: (i) Franchisor commits a material breach of this Agreement; (ii) Franchisee gives Franchisor written notice of the breach; (iii) Franchisor fails to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of notice; and (iv) Franchisee is in full compliance with the obligations under this Agreement. If Franchisor cannot reasonably correct the breach within this 60-day period but Franchisor provides Franchisee, within this 60-day period, with reasonable evidence of Franchisor's effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Termination will be effective no less than ten days after Franchisee delivers to Franchisor written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this Section 15.5 (including by taking steps to de-identify the Studio or otherwise cease operations under this Agreement) will constitute a default by Franchisee.

## 16. RESOLUTION OF DISPUTES

**16.1 Governing Law.** This Agreement shall take effect upon its acceptance and execution by Franchisor. Franchisor and Franchisee agree that all matters relating to arbitration will be governed by the substantive and procedural provisions of the Federal Arbitration Act (9 U.S.C. §§ 1, et seq.), which they acknowledge and agree will supersede any conflicting provisions of any state's laws relating to arbitration. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, et seq.), or other applicable federal laws, this Agreement and any other agreement between Franchisor (or its parents, affiliates, and subsidiaries) and Franchisee (or its parents, affiliates, and subsidiaries, if applicable), and the rights granted and relationships created thereunder, shall be governed by the internal laws of the Commonwealth of Virginia, without regard to its conflicts of laws rules, except that the provisions regarding competitive activities shall be interpreted and enforced in accordance with the laws of the state in which the Studio is located. The Parties further acknowledge and agree that the adoption of Virginia law in this Section is not intended to circumvent or, in any manner, satisfy any jurisdictional requirements contained in any such laws that are expressly and specifically directed to the offer or sale of franchises or the relationships between franchisors and franchisees.

**16.2 Internal Dispute Resolution.** Franchisee agrees that, except as set forth in Section 16.5 below, before it or any of its owners or representatives initiates mediation, arbitration and/or litigation against Franchisor, its parents, affiliates, and subsidiaries, or their respective owners, officers, directors, employees or representatives, Franchisee will provide Franchisor's management with written notice of the underlying claim or dispute (the "**Dispute**") specifying, in detail, the precise nature and grounds of the Dispute. Within thirty (30) days after delivery of such claim or dispute to Franchisor, Franchisor and Franchisee will use good faith efforts to discuss and resolve the Dispute informally for a reasonable period which shall be no more than sixty (60) days unless mutually extended by the Parties. Franchisee must exhaust this internal dispute resolution procedure before commencing mediation, arbitration and/or litigation. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

**16.3 Mediation.** The parties have reached this Agreement in good faith and in belief that it is advantageous to each of them. In recognition of the enormous strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation,

the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Other than an action by Franchisor under Section 16.4 of this Agreement, before beginning any legal action or arbitration, the parties agree to mediate any dispute, controversy or claim between Franchisee and/or any of Franchisee's owners, affiliates, officers, directors, shareholders, guarantors, employees, or members (each a "Franchisee Party" and, collectively, "Franchisee Parties"), on the one hand, and Franchisor and/or any of its affiliates, officers, directors, shareholders, members, guarantors, employees, representatives, independent contractors and/or owners (each a "Franchisor Party" and, collectively, "Franchisor Parties"), on the other hand, including, without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; (c) events occurring prior to the entry into this Agreement; (d) the Studio; or (e) any System Standard, in accordance with the procedures set forth in this Section, inclusive of all subparts. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintain any arbitration or legal action, including any action to interpret or enforce this Agreement. The mediation shall be conducted in accordance with the following provisions:

A. **Initiation Procedure.** The party seeking mediation (the "Initiating Party") must commence mediation by sending the other party/parties a written notice of its request for mediation (the "Dispute Notice"). The Dispute Notice will specify, to the fullest extent possible, the nature of the dispute, the Initiating Party's version of the facts surrounding the dispute, the amount of damages, and the nature of any injunctive or other relief such party claims, and must identify one or more persons with authority to settle the dispute for the Initiating Party. The party (or parties as the case may be) receiving a Dispute Notice (the "Responding Party") will issue a written response (the "Response") to the Initiating Party within thirty (30) business days after receipt of the Dispute Notice identifying one or more persons with authority to settle the dispute on the Responding Party's behalf (the "Authorized Persons").

B. **Direct Negotiations.** Upon receipt of a Dispute Notice and the issuance of the Response, the parties will endeavor, in good faith, to resolve the dispute outlined in the Dispute Notice and the Response. If the parties have been unable to resolve any such dispute(s) outlined in a Dispute Notice or a response thereto within twenty (20) days after the Initiating Party's receipt of the Response, either party may initiate a mediation procedure in accordance with the American Arbitration Association ("AAA"), pursuant to its Commercial Mediation Procedures, and unless otherwise agreed by the parties in writing, will take place in Charlottesville, Virginia, or the city of Franchisor's then-current corporate headquarters, as Franchisor designates.

C. **Selection of the Mediator; Time & Place for Mediation.** The mediation will be held before one mediator selected by the Authorized Persons in accordance with the AAA procedures. In consultation with the parties, the mediator shall promptly designate a mutually acceptable time and place for the mediation.

D. **Exchange of Information.** If either party to this Agreement believes he, she, or it needs information in the possession of another party to this Agreement to prepare for the mediation, all parties must attempt in good faith to agree on procedures for an exchange of information, with the help of the mediator if required.

E. **Summary of Views.** Prior to the mediation session, each party must deliver to the mediator a concise written summary of its views on the matter in dispute and on any other matters that the mediator asks them to include. The mediator may also request that each party submit a confidential paper on relevant legal issues, which may be limited in length by the mediator, to him or her.

F. **Representatives.** In the mediation, each party must be represented by an Authorized Person and may be represented by counsel. In addition, each party may, with permission of the

mediator, bring with him, her, or it any additional persons who are needed to respond to questions, contribute information, and participate in the negotiations.

**G. Conduct of Mediation.** The mediator shall advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator shall give both himself or herself and the Authorized Persons an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator shall assist the Authorized Persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party. The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible.

**H. Termination of Procedure.** The parties agree to participate in the mediation procedure to its conclusion, as set forth in this section. The mediation may be concluded (1) by the signing of a settlement agreement by the parties, (2) by the mediator's declaration that the mediation is terminated, or (3) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of five (5) days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or in order to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

**I. Fees of Mediator; Disqualification.** The fees and expenses of the mediator must be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved.

**J. Confidentiality.** The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and shall be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

**16.4 Other Proceedings (Right to Injunctive Relief).** Nothing in this Agreement, including the provisions of Sections 16.2 and 16.3, bars Franchisor's right to seek and obtain in any court of competent jurisdiction injunctive or other equitable relief against actual or threatened conduct that it believes is likely to cause loss or damage to the Marks, its proprietary information, or the System, in each case, under customary equity rules, including applicable rules for obtaining restraining orders and injunctions. Franchisee agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Franchisee agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against it will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

**16.5 Consent to Jurisdiction.** Subject to the obligation to submit to mediation under Section 16.3 above, Franchisor and Franchisee agree that all controversies, disputes, or claims between them or any

Franchisor Parties and Franchisee Parties arising out of or related to this Agreement or any other agreement between a Franchisor Party and a Franchisee Party or their relationships with each other must be commenced exclusively in state or federal court closest to Franchisor's (or its successor's or assign's, as applicable) then-current principal place of business (currently, Charlottesville, Virginia), and the Parties irrevocably consent to the jurisdiction of those courts and waive any objection to either the jurisdiction of or venue in those courts.

16.6 **Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the Term if it is terminated due to Franchisee's default, which the Parties agree and acknowledge Franchisor may claim under this Agreement.

16.7 **WAIVER OF JURY TRIAL.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

16.8 **WAIVER OF CLASS ACTIONS.** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE OPERATIONS OF THE STUDIO, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD-PARTY.

16.9 **Attorneys' Fees and Costs.**

A. If legal action or arbitration is necessary to enforce the terms and conditions of this Agreement, the prevailing Party shall be entitled to recover reasonable compensation for preparation, investigation, court costs, arbitration costs (if applicable) and reasonable attorneys' fees, from the non-prevailing Party as fixed by an arbitrator or court of competent jurisdiction.

B. Separate and distinct from the right of a prevailing Party to recover expenses, costs and fees in connection with any legal proceeding or arbitration, the prevailing Party shall also be entitled to receive all expenses, costs and reasonable attorneys' fees incurred in connection with the enforcement of any arbitration award or judgment entered. Furthermore, the right to recover post-arbitration award and post judgment expenses, costs and attorneys' fees shall be severable and shall survive any award or judgment and shall not be deemed merged into such judgment.

C. Apart from the obligations in Sections 16.9.A and 16.9.B, Franchisee agrees and acknowledges that it will be responsible for the legal fees and other costs that Franchisor incurs in connection with certain modifications that Franchisor agrees to make to the Franchise Agreement, including without limitation, modifications made to address the following situations: (i) relocation; or (ii) any other

amendment to extend a given performance deadline of Franchisee, modify the Designated Territory awarded hereunder, or otherwise modify, amend or supplement this Agreement in any way at the request of Franchisee or as necessary for Franchisee to avoid this Agreement being in default or subject to termination. Franchisor may set forth flat fee amounts designed to help defray the costs associated with addressing certain of the foregoing situations in the context of this Agreement or any other agreement with Franchisor, whether in the Manual or otherwise in a writing distributed to System franchisees.

16.10 **No Withholding of Payments.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

16.11 **Limitation of Actions.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware, or should have become aware after reasonable investigation, of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

16.12 **Third-Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 16, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.

## 17. MISCELLANEOUS PROVISIONS

17.1 **Severability.** Each article, section, paragraph, term and provision of this Agreement, or any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held by an arbitrator or by a court of competent jurisdiction to be unenforceable due to any applicable existing or future law or regulation, such portion shall not impair the operation of or have any effect upon, the remaining portions of this Agreement which will remain in full force and effect. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

17.2 **Waiver and Delay.** No failure, refusal or neglect of Franchisor to exercise any right, power, remedy or option reserved to it under this Agreement, or to insist upon strict compliance by Franchisee with any obligation, condition, specification, standard or operating procedure in this Agreement, shall constitute a waiver of any provision of this Agreement and the right of Franchisor to demand exact compliance with this Agreement, or to declare any subsequent breach or default or nullify the effectiveness of any provision of this Agreement. Subsequent acceptance by Franchisor of any payment(s) due it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

**The following provision applies if Franchisee or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington,**

**or Wisconsin:** No statement, questionnaire, or acknowledgement 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.

17.3 **Franchisor’s Discretion.** Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its decisions may be for the benefit of Franchisor or the System and may not be in the best interest of Franchisee as an individual franchise owner. Franchisee acknowledges and agrees that Franchisor has the right to delegate the performance of any portion or all of our obligations under this Agreement to third party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

17.4 **Notices.** All notices which the Parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be personally delivered or mailed by certified or registered mail, return receipt requested, postage paid, or by reliable overnight delivery service, addressed as follows:

**If to Franchisor:** Neighborhood Barre Franchising, LLC  
Attention: President  
126 Garrett St., Ste J  
Charlottesville, Virginia 22902

**If to Franchisee:** At the Studio’s address or, if the Studio has been permanently closed, to:

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

Except for Franchisor’s right to send notices to the Studio’s address as indicated above, either Party may change its notice address at any time by written notice given to the other Party as herein provided. Notices will be deemed delivered when actually delivered if delivered by hand, three (3) business days after postmark by the United States Postal Service if delivered by certified or registered mail, or the next business day after deposit with reliable overnight delivery service if delivered in that manner.

17.5 **No Recourse Against Nonparty Affiliates.** Franchisee agrees that it will look only to Franchisor to perform under this Agreement. Franchisor’s affiliates are not parties to this Agreement and have no obligations under it. Franchisee may not look to Franchisor’s affiliates for performance. Franchisee agrees that Franchisor’s and its affiliates’ members, managers, owners, directors, officers, employees and agents shall not be personally liable or named as a party in any action between Franchisor or its affiliates and Franchisee or its affiliates or their respective owners.

17.6 **Non-Disparagement.** Franchisee agrees that it will not (and to use its best efforts to cause its current and former shareholders, members, officers, directors, principals, agents, partners, employees, representatives, attorneys, spouses, affiliates, successors and assigns not to) (i) make any untrue or derogatory statements concerning Franchisor and its affiliates, as well as their present and former officers, employees, shareholders, directors, agents, attorneys, servants, representatives, successors and assigns; or

(ii) undertake any act which would (a) subject the Marks to ridicule, scandal, reproach, scorn, or indignity, (b) which would negatively impact the goodwill of Franchisor or its affiliates, the Marks, the System, or any other brands owned or controlled by Franchisor or its affiliates, or (c) constitute an act of moral turpitude.

17.7 **Security Interest.** Franchisee hereby collaterally assigns to Franchisor the lease for the Authorized Location and grants Franchisor a security interest in all of the assets of the Studio, including but not limited to inventory, accounts, supplies, equipment, contracts, cash derived from the operation of the Studio and sale of other assets, and proceeds and products of all those assets. Franchisee agrees to execute such other documents as Franchisor may reasonably request in order to further document, perfect and record its security interest. If Franchisee defaults in any of its obligations under this Agreement, Franchisor may exercise all rights of a secured creditor granted to Franchisor by law, in addition to Franchisor's other rights under this Agreement and at law. If an approved third-party lender requires that Franchisor subordinate Franchisor's security interest in the assets of the Studio as a condition to lending Franchisee working capital for the construction or operation of the Studio, Franchisor will agree to subordinate pursuant to terms and conditions determined by Franchisor. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the records of any county and state that Franchisor deems appropriate to protect its interests.

17.8 **Survival.** All of Franchisor's and Franchisee's (and Franchisee's Owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expires. Without limiting the generality of the foregoing, the parties expressly acknowledge that each of the following provisions of this Agreement will survive the Agreement's expiration or termination: Section 10.4 (Information Security); Section 11 (Relationship of the Parties; Indemnification); Section 12 (Confidential Information); Section 13.1.B (Non-Competition Covenants of Franchisee; After the Term of this Agreement); Section 15.3 (Obligations of Franchisee upon Termination, Expiration or Non-Renewal); Section 16 (Resolution of Disputes); Section 17 (Miscellaneous Provisions); Section 18 (Acknowledgements); and Section 19 (Entire Agreement).

## 18. ACKNOWLEDGMENTS

18.1 THE SUBMISSION OF THIS AGREEMENT DOES NOT CONSTITUTE AN OFFER AND THIS AGREEMENT SHALL BECOME EFFECTIVE ONLY UPON THE EXECUTION HEREOF BY THE FRANCHISOR AND THE FRANCHISEE. THE DATE OF EXECUTION BY THE FRANCHISOR SHALL BE CONSIDERED TO BE THE DATE OF EXECUTION OF THIS AGREEMENT.

18.2 THIS AGREEMENT SHALL NOT BE BINDING ON THE FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE FRANCHISOR.

18.3 FRANCHISEE ACKNOWLEDGES THAT THIS AGREEMENT, THE FRANCHISE DISCLOSURE DOCUMENT ("FDD"), AND THE EXHIBITS HERETO CONSTITUTE THE ENTIRE AGREEMENT OF THE PARTIES. THIS AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER.

18.4 FRANCHISEE AGREES AND ACKNOWLEDGES THAT FULFILLMENT OF ANY AND ALL OF FRANCHISOR'S OBLIGATIONS WRITTEN IN THIS AGREEMENT OR BASED ON ANY ORAL COMMUNICATIONS WHICH MAY BE RULED TO BE BINDING IN A COURT OF LAW SHALL BE FRANCHISOR'S SOLE RESPONSIBILITY AND NONE OF FRANCHISOR'S AGENTS, REPRESENTATIVES, NOR ANY INDIVIDUALS ASSOCIATED WITH FRANCHISOR SHALL BE PERSONALLY LIABLE TO FRANCHISEE FOR ANY REASON.

## 19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the Parties concerning the granting, awarding and licensing of Franchisee as an authorized Neighborhood Barre Studio franchisee at the Studio location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the Parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either Party unless mutually agreed to by the Parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Nothing in this Agreement or in any related agreement, however, is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Franchisee. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Faxed, scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the Parties have executed this Agreement on the dates set forth below to be effective as of the Effective Date.

**NEIGHBORHOOD BARRE  
FRANCHISING, LLC,**  
a Virginia limited liability company

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

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

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

**EFFECTIVE DATE:** \_\_\_\_\_

**“FRANCHISEE”**

[if an individual]

\_\_\_\_\_  
**[Name], individually**

Sign: \_\_\_\_\_

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

[if a legal entity]

\_\_\_\_\_  
**[Name], a [state/type]**

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

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

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

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

**EXHIBIT 1  
TO  
FRANCHISE AGREEMENT**

1. **Name and Address of Franchisee:**

Franchisee Name: \_\_\_\_\_  
Attention: \_\_\_\_\_  
Address: \_\_\_\_\_  
Email Address: \_\_\_\_\_

2. **Form of Owner (check and complete one):**

\_\_\_ Individual  
\_\_\_ Corporation    \_\_\_ Limited Liability Company    \_\_\_ Partnership  
State Formed: \_\_\_\_\_ Date: \_\_\_\_\_

3. **Owners.** The following identifies the owner that Franchisee has designated as, and that Franchisor approves to be, the Operating Principal and lists the full name of each person who is one of Franchisee’s owners, or an owner of one of Franchisee’s owners, and fully describes the nature of each owner’s interest (attach additional pages if necessary).

	<b><u>Owner’s Name</u></b>	<b><u>Type / Percentage of Interest</u></b>
<b>Operating Principal:</b>	_____	%
Other Owners:	_____	%
	_____	%

4. **Key Manager:** \_\_\_\_\_

5. **Authorized Location** (if determined on Effective Date): \_\_\_\_\_  
\_\_\_\_\_

6. **Designated Territory** (if determined on Effective Date): \_\_\_\_\_  
\_\_\_\_\_

7. **Site Selection Area** (if Authorized Location and Designated Territory undetermined as of Effective Date):  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT 2  
TO  
FRANCHISE AGREEMENT**

**AUTHORIZED LOCATION ADDENDUM**

This Addendum is made to the Franchise Agreement (the “Franchise Agreement”) between Neighborhood Barre Franchising, LLC (“Franchisor”), and \_\_\_\_\_ (“Franchisee”), dated \_\_\_\_\_, 20\_\_.

1. **Preservation of Agreement.** Except as specifically set forth in this Addendum, the Franchise Agreement shall remain in full force and effect in accordance with its terms and conditions. This Addendum is attached to and upon execution becomes an integral part of the Franchise Agreement.

2. **Authorized Location.** The parties hereto agree that the Authorized Location referred to in Section 1.1 of the Franchise Agreement shall be the following:

\_\_\_\_\_.

3. **Designated Territory, if any.** Pursuant to Section 1.2 of the Franchise Agreement, Franchisee’s Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

ACKNOWLEDGED AND ACCEPTED:

**“FRANCHISEE”**

[if an individual]

\_\_\_\_\_  
**[Name], individually**

Sign: \_\_\_\_\_

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

[if a legal entity]

\_\_\_\_\_  
**[Name], a [state/type]**

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

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

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

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

**EXHIBIT 3  
TO  
FRANCHISE AGREEMENT**

**GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT**

For value received, and in consideration for, and as an inducement to Neighborhood Barre Franchising, LLC (the “Franchisor”) to execute the Franchise Agreement (the “Franchise Agreement”), dated \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between Franchisor and \_\_\_\_\_ or his assignee, if a partnership, corporation or limited liability company is later formed (the “Franchisee”), the undersigned (each a “Guarantor”), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement.

Upon demand by Franchisor, Guarantor will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor hereby waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise 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 Guarantor under this Guarantee, Indemnification and Acknowledgment (the “Guarantee”), Franchisor may, without notice to Guarantor, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

Guarantor waives notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee and agrees to be bound by any and all such amendments and changes to the Franchise Agreement.

Guarantor hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorneys’ fees, reasonable costs of investigations, 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 Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor hereby acknowledges and agrees to be individually bound by all obligations and covenants of Franchisee contained in the Franchise Agreement, including those related to non-competition and confidentiality.

If Guarantor is a business entity, retirement or investment account, or trust acknowledges and it agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor’s account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guarantee shall terminate upon the expiration or termination of the Franchise Agreement, except that this Guarantee shall continue in full force and effect with respect to all obligations and liabilities of Franchisee and Guarantor that arise from events that occurred on or before the effective date of such expiration or termination or that are triggered by or survive expiration or termination of the Franchise Agreement This Guarantee is binding upon each Guarantor and its respective estate, executors, administrators, heirs, beneficiaries, and successors in interest.

The validity of this Guarantee and the obligations of Guarantor(s) hereunder shall in no way be terminated, restricted, diminished, affected or impaired by reason of any action that Franchisor might take or be forced to take against Franchisee, or by reason of any waiver or failure to enforce any of the rights or remedies reserved to Franchisor in the Franchise Agreement or otherwise.

The use of the singular herein shall include the plural. Each term used in this Guarantee, unless otherwise defined herein, shall have the same meaning as when used in the Franchise Agreement.

The provisions contained in Section 16 of the Franchise Agreement (Resolution of Disputes), including, without limitation, Section 16.1 (Governing Law), Section 16.3 (Mediation), Section 16.4 (Mandatory Binding Arbitration), Section 16.6 (Consent to Jurisdiction), and Section 16.10 (Attorneys' Fees and Costs), are incorporated into this Guarantee by reference and shall govern this Guarantee and any disputes between the Guarantors and Franchisor. The Guarantors shall reimburse Franchisor for all costs and expenses it incurs in connection with enforcing the terms of this Guarantee.

**IN WITNESS WHEREOF**, each of the undersigned has signed this Guarantee as of the Effective Date.

<b>GUARANTORS</b>	
Area Developer (if applicable):  [Name of Developer]  By: _____ Name: _____ Title: _____  Address: _____	
<b>OWNER/GUARANTOR</b>	<b>SPOUSE/GUARANTOR</b>
Name: _____  Sign: _____  Address: _____ _____ _____	Name: _____  Sign: _____  Address: _____ _____ _____
Name: _____  Sign: _____  Address: _____ _____ _____	Name: _____  Sign: _____  Address: _____ _____ _____

**EXHIBIT 4  
TO  
FRANCHISE AGREEMENT**

**ADDENDUM TO LEASE**

This Addendum to Lease (this “Addendum”) modifies and supplements that certain lease dated \_\_\_\_\_, 20\_\_ (the “Lease”), by and between Tenant and Landlord concerning the premises located at \_\_\_\_\_ (the “Premises”)

Landlord and Tenant, intending that Neighborhood Barre Franchising, LLC, a Virginia limited liability company, (“Franchisor”) (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

- (1) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Studio, including the name “Neighborhood Barre,” the Studio design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by Franchisor, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;
- (2) Tenant shall not, and the Landlord shall not permit Tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor’s prior written consent;
- (3) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;
- (4) The Premises shall be used only for the operation of a Neighborhood Barre Studio;
- (5) Tenant may, without Landlord’s consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;
- (6) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord’s consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from all further liability under the Lease;
- (7) Franchisor, and its designated agents, will have the right to enter the Premises to make any modifications necessary to protect the Neighborhood Barre brand and franchise system;
- (8) Tenant agrees that Landlord may, upon Franchisor’s request, disclose all reports, information, and data in Landlord’s possession with respect to sales made in, upon, or from the Premises, to Franchisor;
- (9) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

Neighborhood Barre Franchising, LLC  
Attn: President  
126 Garrett St., Ste J  
Charlottesville, Virginia 22902

(10) Landlord acknowledges that Tenant’s operations at the Premises are independently owned and operated, and that Tenant alone is responsible for all obligations under the Lease, unless and until, Franchisor (or its affiliate or designee) expressly assumes such obligations in writing signed by an officer of Franchisor (or its applicable affiliate or designee);

(11) Any lien of Landlord in Tenant’s trade fixtures, “trade dress,” signage and other property at the Premises is hereby subordinated to Franchisor’s interest in such items;

(12) None of the provisions in this Addendum or any rights granted Franchisor hereunder, may be amended absent Franchisor’s prior written consent.

AGREED:

TENANT

LANDLORD

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

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

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

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

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

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

**EXHIBIT 5  
TO FRANCHISE AGREEMENT**

**PERMIT, LICENSE AND CONSTRUCTION CERTIFICATE**

The Franchisor and the Franchisee are parties to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ for the development and operation of a NEIGHBORHOOD BARRE Studio located at \_\_\_\_\_ (the “**NEIGHBORHOOD BARRE Studio**”). In accordance with Sections 5.7 of the Franchise Agreement, the Franchisee certifies to the Franchisor that the NEIGHBORHOOD BARRE Studio complies with all applicable federal, state and local laws, statutes, codes, rules, regulations and standards including, but not limited to, the federal Americans with Disabilities Act and any similar state or local laws. The Franchisee has obtained all such permits and certifications as may be required for the lawful construction and operation of the NEIGHBORHOOD BARRE Studio, together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances. The Franchisee has obtained all customary contractors’ sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Franchised Location. The Franchisee acknowledges that it is an independent contractor and that the requirement of this certificate does not constitute ownership, control, leasing or operation of the Studio, but rather provides notice to the Franchisor that the Franchisee has complied with all applicable laws. The Franchisee asserts that the Franchisor may justifiably rely on the information contained in this certificate.

**DRAFT**

**FRANCHISEE**

(Print Name)

\_\_\_\_\_

Individually

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

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

**OR:**

(if a corporation, LLC or partnership)

\_\_\_\_\_

Company Name

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

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

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

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

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip: \_\_\_\_\_

DRAFT

**EXHIBIT 6  
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS  
(DIRECT DEBITS)**

The undersigned depositor (“**Depositor**”) hereby (1) authorizes NEIGHBORHOOD BARRE FRANCHISING, LLC (“**Company**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account indicated below and (2) authorizes the depository designated below (“**Depository**”) to debit such account pursuant to Company’s instructions.

\_\_\_\_\_  
Depository

\_\_\_\_\_  
Branch

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code

\_\_\_\_\_  
Bank Transit/ABA Number

\_\_\_\_\_  
Account Number

DRAFT

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Depositor of the Depositor’s termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it. Notwithstanding the foregoing, Depository shall provide Company and Depositor with 30 days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to Depositor’s account, Depositor shall have the right to have the amount of such entry credited to such account by Depository, if (a) within 15 calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to such entry or (b) 45 days after posting, whichever occurs first, Depositor shall have sent to Depository a written notice identifying such entry, stating that such entry was in error and requesting Depository to credit the amount thereof to such account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

\_\_\_\_\_  
DEPOSITOR (Print Name)

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

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

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

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**EXHIBIT 7  
TO FRANCHISE AGREEMENT**

**CREDIT CARD PAYMENT AUTHORIZATION**

I (We) \_\_\_\_\_ (Name of the Franchisee) authorize NEIGHBORHOOD BARRE FRANCHISING, LLC (“Company”) to charge the credit/debit card indicated below and authorize the credit card issuer to pay such account pursuant to Company’s instructions.

This credit card payment authorization form is intended for use on a recurring basis. This authority is to remain in full force and effect until Company has received written notification from the Franchisee of its termination in such time and manner as to afford Company a reasonable opportunity to act on it.

Credit Card Type:     VISA     MC     AMEX     Other/Include Type

\_\_\_\_\_

Credit Card No.: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Name of Franchisee: \_\_\_\_\_

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

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

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

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

Phone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

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**EXHIBIT C  
(TO DISCLOSURE DOCUMENT)**

**NEIGHBORHOOD BARRE  
LIST OF FRANCHISEES  
As of December 31, 2024**

<b>Name</b>	<b>Location</b>	<b>Company</b>	<b>Address</b>	<b>Telephone No.</b>
<b>ALABAMA</b>				
Casey Browder	Troy	NB Troy, LLC	52 East Court Square Troy, Alabama 36081	(334) 372-4142
Brenna Middleton	Gulf Shores	Barre South, LLC	4066 Muirfield Ct Gulf Shores, AL 36542	(251) 504-6441
<b>NORTH CAROLINA</b>				
Samantha Horne	Concord	KTT Enterprise, LLC	2262 Sweet Pea Lane Harrisburg, North Carolina 28075	(704) 650-4465
Whitney Brockman	Greensboro	Brockman Holdings, LLC	702 Ruddy Duck Road Greensboro, NC 27455	(336) 944-2363
Savannah Hopps	Durham	Bull City Barre, LLC	4711 Hope Valley Road, Suite 6B Durham, NC 27707	(984) 329-5418
Emma Kristine Graban (Krissy)	Fuquay Varina	KC Barre, LLC	2140 Fox Chapel Pl, Fuquay Varina, NC 27526	(336) 601-2690
<b>TENNESSEE</b>				
Emilee Stout	Chattanooga	Ellie Jo Barre Collective, LLC	1222 Tremont St. Chattanooga, Tennessee 37405	(423) 883-0535
Kayla Ridenour	Farragut	KCR Barre LLC	11672 Parkside Drive Knoxville, Tennessee 37934	(865) 973-2978
Elizabeth Coffield	Maryville	JEC Ventures, LLC	108 S Maple Maryville, TN 37803	(865) 898-6031
Ainsley Hightower	Memphis	Hightower Wellness LLC	5101 Sanderlin Avenue, Suite 108 Memphis, Tennessee 38117	(901) 295-9313
Julie Buchanan	Johnson City	Barre Necessities LLC	3020 Franklin Terrace Ct. Suite 2 Johnson City, TN 37604	(865) 803-4304
Stephanie Arlington	Powell	Barre-lington Fitness, LLC	207 E Emory Road, Suite 105 Powell, Tennessee 37849	(865) 859-0841
<b>LOUISIANA</b>				

Jessie Gerace	Baton Rouge	Baton Rouge Barre, LLC	7517 Jefferson Highway, Baton Rouge, LA	(225) 251 – 0244
<b>KENTUCKY</b>				
Richelle Puckett	Covington	Barre Covington LLC	421 West 6th Street, Covington KY 41011	(859) 447-7174
<b>ILLINOIS</b>				
Ashley Kieta	Oswego	raisethebarreoswego, LLC	1559 Route – 34, Unit 1563, Oswego IL 60543	(630) 765-3886
<b>MARYLAND</b>				
Kristin Swistak	Severna Park	Raise the Barre, LLC	790 Ritchie Highway, Suite E32 Severna Park, MD 21146	(540) 421-2312
<b>NEW YORK</b>				
JulieAnn Hoerner Kimberly Szucs	Buffalo	JK Dream Chasers LLC	1020 Elmwood Avenue Buffalo, NY 14222	(716) 861-8833
<b>GEORGIA</b>				
Kelsey Sarmiento	Newnan	NB Newnan, LLC	9 Jackson Street Newnan, GA 30263	(470) 400-5106
<b>TEXAS</b>				
Ashley Bryan	Fort Worth	Bryan Barre LLC	6020 Parker Blvd, Suite #110 North Richland Hills, TX 76180	(682) 325-8233

**Opening 2025**

<b>Name</b>	<b>Location</b>	<b>Company</b>	<b>Address</b>	<b>Telephone No.</b>
<b>TENNESSEE</b>				
Erica Gambrell	Oak Ridge	Barre Renew LLC	tbd	tbd

**EXHIBIT D  
(TO DISCLOSURE DOCUMENT)  
NEIGHBORHOOD BARRE**

**FRANCHISEES WHO HAVE LEFT THE SYSTEM**

The following Neighborhood Barre franchised units closed, transferred, terminated or otherwise left the system during fiscal year 2024. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

<b>Name</b>	<b>Location</b>	<b>Company</b>	<b>Address</b>	<b>Telephone No.</b>
<b>TENNESSEE</b>				
Lynn Tweedie*	Chattanooga	Sculpt and Tone, LLC	1222 Tremont St. Chattanooga, Tennessee 37405	(423) 883-0535

Notes: \*Exited upon sale of franchise unit.

**EXHIBIT E  
(TO DISCLOSURE DOCUMENT)**

**FINANCIAL STATEMENTS AND GUARANTEES OF PERFORMANCE**

**THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

# Purvelo Franchising LLC

## Balance Sheet As of May 31, 2025

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
1000 Cash	
1003 Bill.com Money Out Clearing	0.00
1004 Purvelo Franchising, LLC - Carter Bank	0.00
<b>Total 1000 Cash</b>	<b>0.00</b>
1001 Cash	
Purvelo Franchising, LLC - AUB	-444.25
<b>Total 1001 Cash</b>	<b>-444.25</b>
1001 Purvelo Franchising, LLC - AUB	-507.42
Purvelo Franchising, LLC-1	0.00
<b>Total Bank Accounts</b>	<b>\$ -951.67</b>
Accounts Receivable	
1100 Accounts Receivable	-12,681.51
<b>Total Accounts Receivable</b>	<b>\$ -12,681.51</b>
Other Current Assets	
1300 Prepaid Expense	0.00
<b>Total Other Current Assets</b>	<b>\$0.00</b>
<b>Total Current Assets</b>	<b>\$ -13,633.18</b>
Other Assets	
1900 Due from (to) Affiliates	
1907 Due from (to) purvelo	3,566.42
1908 Due from (to) Extraordinary Brands	-1,199,342.94
<b>Total 1900 Due from (to) Affiliates</b>	<b>-1,195,776.52</b>
<b>Total Other Assets</b>	<b>\$ -1,195,776.52</b>
<b>TOTAL ASSETS</b>	<b>\$ -1,209,409.70</b>

# Purvelo Franchising LLC

## Balance Sheet As of May 31, 2025

	TOTAL
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 Accounts Payable	5,126.75
<b>Total Accounts Payable</b>	<b>\$5,126.75</b>
Other Current Liabilities	
2100 Accrued Expenses	0.00
2110 Payroll Liabilities	
2111 Federal Taxes (941/943/944)	-450.56
2112 Federal Unemployment (940)	0.00
2115 WA Paid Family and Medical Leave Tax	-107.87
2116 WA SUI Employer	-999.83
2117 WA Workers Compensation	0.00
Purvelo Franchising, LLC	-444.25
<b>Total 2110 Payroll Liabilities</b>	<b>-2,002.51</b>
<b>Total 2100 Accrued Expenses</b>	<b>-2,002.51</b>
2200 Deferred Revenue	
2201 Initial Franchise Fees	7,200.00
<b>Total 2200 Deferred Revenue</b>	<b>7,200.00</b>
Direct Deposit Payable	0.00
Payroll Liabilities	
CA PIT / SDI	117.08
Federal Taxes (941/943/944)	5,669.12
Federal Unemployment (940)	0.00
FL Unemployment Tax	0.00
GA Income Tax	561.33
MD Income Tax	19.47
Medical Insurance	5,989.28
NE Income Tax	520.26
NJ Income Tax	0.00
NYS Income Tax	1.07
PA Income Tax	132.84
VA Income Tax	0.00
VA SUI Employer	-202.40
WA Paid Family and Medical Leave Tax	0.00
WA SUI Employer	0.00
WA Workers Compensation	0.00
<b>Total Payroll Liabilities</b>	<b>12,808.05</b>
<b>Total Other Current Liabilities</b>	<b>\$18,005.54</b>
<b>Total Current Liabilities</b>	<b>\$23,132.29</b>

# Purvelo Franchising LLC

## Balance Sheet As of May 31, 2025

	TOTAL
Long-Term Liabilities	
2600 Non-Current Deferred Revenue	
2601 Initial Franchise Fees	60,900.00
<b>Total 2600 Non-Current Deferred Revenue</b>	<b>60,900.00</b>
<b>Total Long-Term Liabilities</b>	<b>\$60,900.00</b>
<b>Total Liabilities</b>	<b>\$84,032.29</b>
Equity	
3002 Partner distributions	-336,945.14
3003 Partner investments	100.00
3004 Retained Earnings	-978,483.14
Net Income	21,886.29
<b>Total Equity</b>	<b>\$ -1,293,441.99</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ -1,209,409.70</b>

# Purvelo Franchising LLC

## Profit and Loss January - May, 2025

	TOTAL
Income	
4100 Franchise Service Fees	
4110 Royalties	19,133.23
4120 Call Center Fees	
4130 Technology Fees	9,418.96
4140 Ad Fund Fees	6,828.46
4150 Service Fees	
<b>Total 4100 Franchise Service Fees</b>	<b>35,380.65</b>
4200 Franchise Sales Fees	
4210 Franchise Fees	
4220 Transfer Fees	
4230 Termination Fees	
<b>Total 4200 Franchise Sales Fees</b>	
4300 Other Revenues	
4310 Rebates	
4320 Product Sales	3,317.12
4330 Convention Fees	
4340 Late Fees	
4350 Miscellaneous Income	
<b>Total 4300 Other Revenues</b>	<b>3,317.12</b>
Sales of Product Income	608.77
<b>Total Income</b>	<b>\$39,306.54</b>
<b>GROSS PROFIT</b>	<b>\$39,306.54</b>
Expenses	
5001 Franchise Service Expenses	
5100 Personnel Costs	
5110 Salaries	
5120 Bonuses	
5130 Commissions	
5140 Severance	
5150 Payroll Taxes	
5160 Health Benefits	
5170 401(k) Benefits	
5190 Allocated Personnel Costs	3,040.02
<b>Total 5100 Personnel Costs</b>	<b>3,040.02</b>
5200 Departmental Expenses	
5210 Contractors	
5220 Professional Development	

# Purvelo Franchising LLC

## Profit and Loss

January - May, 2025

	TOTAL
5230 Professional Fees	
5240 Software Licenses	
5250 Travel	
5290 Other	
5291 Conventions	
5292 Cost of Goods Sold	456.50
5293 Franchise Training	
5294 Franchise Incentives	2,300.00
5295 Digital Marketing	3,856.00
5296 Public Relations	
5297 Other Franchisee Marketing	
5299 Allocated Departmental Expenses	166.30
<b>Total 5200 Departmental Expenses</b>	<b>6,778.80</b>
<b>Total 5001 Franchise Service Expenses</b>	<b>9,818.82</b>
5401 Franchise Sales Expenses	
5500 Personnel Costs	
5510 Salaries	
5520 Bonuses	
5530 Commissions	
5540 Severance	
5550 Payroll Taxes	
5560 Health Benefits	
5570 401(k) Benefits	
<b>Total 5500 Personnel Costs</b>	
5600 Departmental Expenses	
5610 Contractors	
5620 Professional Development	
5630 Professional Fees	3,937.50
5640 Software Licenses	926.16
5650 Travel	
5690 Other	
5691 Broker Commissions	
5692 Broker Networks	
5693 Broker Shows	
5694 Online Portals	
5695 Public Relations	
5696 Other Development Marketing	
<b>Total 5600 Departmental Expenses</b>	<b>4,863.66</b>
<b>Total 5401 Franchise Sales Expenses</b>	<b>4,863.66</b>

# Purvelo Franchising LLC

## Profit and Loss January - May, 2025

	TOTAL
5701 Gen & Adm Expenses	
5800 Personnel Costs	
5810 Salaries	
5820 Bonuses	
5830 Commissions	
5840 Severence	
5850 Payroll Taxes	187.42
5860 Heath Benefits	
5870 401(k) Benefits	
<b>Total 5800 Personnel Costs</b>	<b>187.42</b>
5900 Departmental Expenses	
5910 Contractors	
5920 Professional Development	
5930 Professional Fees	
5940 Software Licenses	1,777.04
5950 Travel	
5990 Other	
5991 Rent	
5992 Insurance	
5993 Office	
5994 Charitable Expenses	
5995 Registration Fees	
5996 Bank Fees	504.08
5997 Bad Debt Expense	
5999 Allocated G&A Costs	682.00
<b>Total 5900 Departmental Expenses</b>	<b>2,963.12</b>
<b>Total 5701 Gen &amp; Adm Expenses</b>	<b>3,150.54</b>
Payroll expenses	-446.02
<b>Total Expenses</b>	<b>\$17,387.00</b>
NET OPERATING INCOME	<b>\$21,919.54</b>
Other Income	
6000 Other Income	
6001 Interest Income	
6002 Gain (Loss) on Sale of Asset	
<b>Total 6000 Other Income</b>	
<b>Total Other Income</b>	<b>\$0.00</b>
Other Expenses	
7000 Other Expenses	
7001 Interest Expense	33.25
7002 Income Taxes	
7003 Depreciation Expense	

# Purvelo Franchising LLC

## Profit and Loss

January - May, 2025

	TOTAL
7004 Amortization Expense	
<b>Total 7000 Other Expenses</b>	<b>33.25</b>
<b>Total Other Expenses</b>	<b>\$33.25</b>
NET OTHER INCOME	<b>\$ -33.25</b>
NET INCOME	<b>\$21,886.29</b>

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**PURVELO FRANCHISING, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

**PURVELO FRANCHISING, LLC**  
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# MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant

646.327.7013

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Purvelo Franchising, LLC

### Opinion

We have audited the financial statements of Purvelo Franchising, LLC, which comprises the balance sheet as of December 31, 2024, and the related statement of operations, and changes in Members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Purvelo Franchising, LLC, 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 Purvelo Franchising, LLC' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Purvelo Franchising, LLC' 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 Purvelo Franchising, LLC' 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.



Muhammad Zubairy, CPA PC  
Westbury, NY  
June 26, 2025

**PURVELO FRANCHISING, LLC**  
**BALANCE SHEETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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ASSETS

<b>Current Assets</b>	
Cash	\$ —
Accounts Receivable	116
Intercompany Receivables	3,466
<b>Total Current Assets</b>	<u>3,582</u>
<b>Total Assets</b>	<u><u>\$ 3,582</u></u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 21,541
Intercompany payables	1,236,078
Contract Liabilities	7,200
<b>Total Current Liabilities</b>	<u>1,264,819</u>
<b>Contract Liabilities, net of current</b>	53,700
<b>Members' Equity (Deficit)</b>	<u>(1,314,937)</u>
<b>Total Liabilities and Members' Equity</b>	<u><u>\$ 3,582</u></u>

See notes to financial statements

**PURVELO FRANCHISING, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

---

<b>Revenue</b>	
<b>Royalties</b>	\$ 46,121
<b>Franchise revenue</b>	7,200
<b>Marketing fees</b>	15,373
<b>Technology fees</b>	24,440
<b>Others</b>	7,176
<b>Total Revenue</b>	<u>100,310</u>
<b>Operating Expenses</b>	<u>401,885</u>
<b>Operating Profit (Loss)</b>	<u><u>(301,575)</u></u>
<b>Members' Equity (Deficit) - Beginning</b>	(983,362)
<b>Members' Contribution / (Distribution)</b>	<u>(30,000)</u>
<b>Members' Equity (Deficit) - Ending</b>	<u><u>\$ (1,314,937)</u></u>

See notes to financial statements

**PURVELO FRANCHISING, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

---

<b>Cash Flows from Operating Activities:</b>	
Net Income / (loss)	\$ (301,575)
Adjustments to reconcile net (loss) to net cash provided(used) by operating activities:	
Changes in assets and liabilities	
Accounts receivable	(12,885)
Intercompany receivable	(3,466)
Accounts payable and accrued expenses	6,571
Intercompany payables	348,555
Contract Liabilities	(7,200)
	30,000
<b>Cash Flows from Financing Activities:</b>	
Members' contributions/(distributions)	(30,000)
Net Increase (Decrease) in Cash	—
Cash - Beginning of Year	—
Cash - End of Year	\$ —

See notes to financial statements

**PURVELO FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1. THE COMPANY**

Purvelo Franchising, LLC, a limited liability company formed in the State of Virginia on May 23, 2022. The company offers franchisees to own and operate an indoor cycling studio with immersive, rhythm-driven workouts designed to energize and empower under the trademark Purvelo.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting*** - The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or disbursement of cash.

***Franchise Arrangements*** - The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate for a number of specified years.

***Concentration of Credit Risk*** - Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2024 did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

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

***Taxes on Income***- The Company's entity was organized as a limited liability company. Accordingly, under the internal revenue code, all taxable income or loss flows through to its member. Therefore, no income tax expense or liability is recorded in the accompanying financial statements.

**3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. Commission paid for franchises are amortized over the life of the franchise agreement. The company adopted ASC-606 and ASU 2022-02 using the modified retrospective method starting with January 1, 2019.

**PURVELO FRANCHISING, LLC**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**4. CONTRACT LIABILITY**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”) as adjusted by ASU 2021-02, the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2024 were \$60,900.

**5. RELATED PARTY TRANSACTIONS**

The Company periodically receives advance funds from its members’ or related companies. These advances are due upon demand and do not bear interest. At December 31, 2024, the balance due to shareholders’ was \$1,236,078.

The Company periodically provides advance funds to its members’ or related companies. These advances are due upon demand and do not bear interest. At December 31, 2024, the balance due from shareholders’ was \$3,466.

**6. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through June 26, 2025 at which time the financial statements were available to be issued.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Purvelo Franchising, LLC

### Opinion

We have audited the accompanying financial statements of Purvelo Franchising, LLC (a limited liability company), which comprise the balance sheet as of December 31, 2023, and the related statements of operations and changes in members' deficit and cash flows for the year 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 Purvelo Franchising, LLC as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 Purvelo Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has suffered recurring losses from operations and negative cash flow from operations, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

### 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.

## Responsibilities of Management for the Financial Statements (Continued)

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 Purvelo Franchising, LLC'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

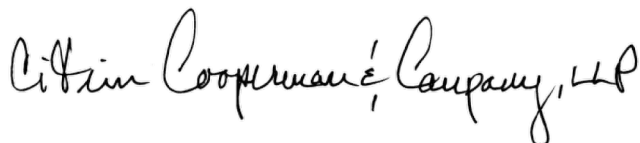
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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 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 Purvelo Franchising, LLC'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 Purvelo Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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.



New York, New York  
August 8, 2024

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**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

**ASSETS**

Current asset:	
Accounts receivable	\$ <u>880</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>880</u></u></b>

**LIABILITIES AND MEMBERS' DEFICIT**

Current liabilities:	
Accrued expenses	\$ 13,358
Deferred revenues	1,200
Marketing fund liability	<u>16,062</u>
Total current liabilities	30,620
Long-term liability:	
Deferred revenues, net of current portion	<u>10,300</u>
Total liabilities	40,920
Commitments and contingencies (Note 8)	
Members' deficit	<u>(40,040)</u>
<b>TOTAL LIABILITIES AND MEMBERS' DEFICIT</b>	<b>\$ <u><u>880</u></u></b>

See accompanying notes to financial statements.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Revenues:	
Franchise fees	\$          500
Royalties	46,114
Marketing fund fees	16,062
Other fees	<u>11,515</u>
Total revenues	74,191
Selling, general and administrative expenses	<u>362,427</u>
Net loss	(288,236)
Members' deficit - beginning	(37,029)
Member contributions	<u>285,225</u>
<b>MEMBERS' DEFICIT - ENDING</b>	<b><u><u>\$         (40,040)</u></u></b>

See accompanying notes to financial statements.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash flows from operating activities:	
Net loss	\$ (288,236)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(880)
Accrued expenses	4,228
Marketing fund liability	16,062
Due to Parent	(32,927)
Deferred revenues	<u>11,500</u>
Net cash used in operating activities	(290,253)
Cash provided by financing activities:	
Member contributions	<u>285,225</u>
Net decrease in cash	(5,028)
Cash - beginning	<u>5,028</u>
<b>CASH - ENDING</b>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS**

Purvelo Franchising, LLC (the "Company") was formed on May 23, 2022, as a Virginia limited liability company. Pursuant to the Company's standard franchise agreement, franchisees will operate a business under the "Purvelo" name and system that provide a cycle studio model offering boutique spin and other fitness class offerings.

The Company is a limited liability company, and therefore, the members are not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the members have signed a specific guarantee.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The accompanying financial statement has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Company's financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

The Company derives its revenues from franchise fee, royalties, marketing fund fees, and other fees.

*Franchise fees, royalties and marketing fund fees*

Contract consideration from franchisees primarily consists of initial or renewal franchise fees, sales-based royalties and sales-based marketing fund fees payable by a franchisee. The initial franchise fees are nonrefundable and are collected when the underlying franchise agreement is signed by the franchisee. Sales-based royalties and marketing fund fees are payable weekly. Renewal fees are payable when an existing franchisee renews the franchise agreement for an additional term.

The Company's primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including site selection, training and other such activities commonly referred to collectively as "pre-opening activities." All pre-opening activities have been determined to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore are accounted for as a single performance obligation, which is satisfied by granting certain rights to access our intellectual property over the term of each franchise agreement.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition (continued)

*Franchise fees, royalties and marketing fund fees (continued)*

Initial and renewal franchise fees are allocated to the right to access the Company's intellectual property, and are recognized as revenue on a straight-line basis over the term of the respective franchise agreement.

Royalties are earned based on a percentage of franchisee's gross revenues. Franchise royalties represent sales-based royalties that are related entirely to the use of the Company's intellectual property and are recognized as franchisee sales occur and the royalty is deemed collectible.

*Marketing fund fees*

The Company maintains a marketing fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. marketing fund fees are collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the marketing fund and therefore recognizes the revenues and expenses related to the marketing fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the marketing fund are highly interrelated and therefore are accounted for as a single performance obligation. As a result, revenues from the marketing fund represent sales-based royalties related to the right to access the Company's intellectual property, which are recognized as franchisee sales occur.

When marketing fund fees exceed the related marketing fund expenses in a reporting period, advertising costs are accrued up to the amount of marketing fund revenues recognized.

*Other fees*

The Company recognizes revenue from other fees and other services provided to the franchisees as a single performance obligation, when the services are rendered.

Accounts receivable

Accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. Unbilled accounts receivable, which are included in accounts receivable, represent amounts the Company has an unconditional right to receive payment for, although invoicing is subject to contractual billing requirements. The Company assesses collectibility by reviewing accounts receivable and its contract assets on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of franchisees based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions are considered in adjusting the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted. There was no allowance for doubtful accounts at December 31, 2023.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income taxes

As a limited liability company, the Company is treated as a partnership for federal and state income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the members, who are responsible for any taxes thereon.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

The Company files income tax returns in the U.S. federal jurisdiction and in various state jurisdictions.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through August 8, 2024, the date on which these financial statements were available to be issued. Except as disclosed in Notes 3 and 8, there were no other material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. SUBSTANTIAL DOUBT ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN**

The Company has sustained net loss, negative cash flows from operations and has accumulated members' deficit of \$288,236, \$290,253 and \$40,040, respectively. Since inception, the Company's operations have been funded primarily through capital contributions. Management has indicated that the Company is growing and, as such, is incurring expenditures in the near term to benefit the future as it expects to grow the franchisee base and expand into new markets.

Subsequent to the year ended December 31, 2023, managing member of the Company (the "Parent"), contributed \$263,024 to the Company to be used for working capital purposes and management has taken several actions to improve operating cash flows through reduction of operating expenses. Additionally, management anticipates that the revenues from existing franchisees are expected to increase as the franchised units opened for operations during 2023 are now operating for a full year in 2024 and a full year of fees are expected to be collected for 2024 and thereafter. Management of the Company has been advised that the Parent will continue to provide any financial assistance needed by the Company should its cash flows from operations combined with its cash balances not be sufficient to meet its working capital needs. However, subsequent to December 31, 2023, the Company entered into guarantee agreements with affiliates as further detailed in Note 8. Should there be additional liabilities in conjunction with these guarantees in excess of net assets of the Company, there can be no assurance that management's plans will be sufficient and that the Company will have

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3. SUBSTANTIAL DOUBT ABOUT THE COMPANY'S ABILITY TO CONTINUE AS A GOING CONCERN (CONTINUED)**

adequate available cash to sustain its operations in addition to the obligations under the guarantees. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern for the 12 months following the date that these financial statements were available to be issued.

**NOTE 4. RECENTLY ADOPTED ACCOUNTING STANDARDS**

In June 2016, the FASB issued Accounting Standards ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)* ("ASC 326"), which along with subsequently issued related ASUs, requires financial assets (or groups of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected, among other provisions. ASC 326 eliminates the probable initial threshold for recognition of credit losses for financial assets recorded at amortized cost, which could result in earlier recognition of credit losses. It utilizes a lifetime expected credit loss measurement model for the recognition of credit losses at the time the financial asset is originated or acquired.

The Company's financial asset is accounts receivable from franchisees. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The Company adopted ASC 326 using the modified retrospective method at January 1, 2023, and it did not have a material impact on the financial statements.

**NOTE 5. FRANCHISED OUTLETS**

The following data represents the Company's franchised outlets as of and for the year ended December 31, 2023

Franchises sold	2
Franchises terminated	-
Franchises purchased	-
Franchised outlets in operation	2
Franchisor owned outlets in operation	-

**NOTE 6. CONCENTRATION OF CREDIT RISK**

Cash

The Company places its cash, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with a major financial institution. Management believes that this policy will limit the Company's exposure to credit risk.

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7. REVENUES AND RELATED CONTRACT BALANCES**

*Disaggregated revenues*

The Company derives its revenues from franchisees located throughout the United States. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenues by timing of recognition for the year ended December 31, 2023, were as follows:

<i>Point in time:</i>	
Royalties	\$ 46,114
Marketing fund fees	16,062
Other fees	<u>11,515</u>
Total point in time	73,691
<i>Over time:</i>	
Franchise fees	<u>500</u>
Total revenues	<u>\$ 74,191</u>

*Contract balances*

Contract assets include accounts receivable. The balance as of December 31, 2023, was \$880. There was no accounts receivable balance as of December 31, 2022.

Contract liabilities are comprised of unamortized initial and renewal franchise fees received from franchisees which are presented as "Deferred revenues" in the accompanying balance sheet. A summary of significant changes in deferred revenues during the year ended December 31, 2023, is as follows:

Deferred revenues - beginning of year	\$ -
Current year deferred revenue additions	12,000
Revenue recognized during the year	<u>(500)</u>
Deferred revenues - end of year	<u>\$ 11,500</u>

Deferred revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 1,200
2025	1,200
2026	1,200
2027	1,200
2028	1,200
Thereafter	<u>5,500</u>
Total	<u>\$ 11,500</u>

**PURVELO FRANCHISING, LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 7. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

*Contract balances (continued)*

Deferred revenues at December 31, 2023, consisted of the following:

Franchise units not yet opened	\$ -
Opened franchise units	<u>11,500</u>
Total	<u>\$ 11,500</u>

**NOTE 8. RELATED-PARTY TRANSACTIONS**

Related-party revenues

The Company receives royalties and marketing fund fees from locations owned and operated by an entity related through common ownership of the Parent. For the year ended December 31, 2023, royalties and marketing fund fees earned from this entity totaled \$31,748 and \$10,703, and are included in "Royalties" and "Marketing fund fees," respectively, in the accompanying statement of operations and changes in members' deficit.

Management service arrangement

The Company entered into a management service arrangement with the Parent. Pursuant to the management service arrangement, the Company has agreed to pay a management fee to the Parent for providing provides certain administrative support service on behalf of the Company. For the year ended December 31, 2023, the management fees charged from the Parent amounted to \$99,265, which is included in "Selling, general and administrative expenses" in the accompanying statement of operations and changes in members' deficit.

Guarantees

Subsequent to December 31, 2023, the Company entered into guarantee agreements with other franchisor entities affiliated through common ownership of the Parent ("franchisor entities"), to guarantee the duties and obligations of those franchisor entities under their respective franchise registration and franchise agreements identified in their 2024 franchise disclosure document. The Company will continue to guarantee such duties and obligations until the earlier of (a) all such obligations of the franchisor entities under its franchise registrations and franchise agreements are satisfied or (b) until the liability of franchisor entities to its franchisees under the franchise agreements has been completely discharged.

**NOTE 9. MARKETING FUND**

Pursuant to the structured form of the franchising arrangement, the Company reserves the right to collect marketing fund fees up to 2% of franchisees' reported sales. These funds are to be spent solely on advertising and related expenses for the benefit of the franchisees with a portion designated to offset the Company's administrative costs to administer the funds, all at the discretion of the Company. Funds collected and not yet expended on the franchisees' behalf totaled \$16,062 as of December 31, 2023.

**Purvelo Franchising, LLC**

**Financial Statements**

**Year Ended December 31, 2022**

**Purvelo Franchising, LLC**  
**Financial Statements**  
**Year Ended December 31, 2022**

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**Independent Auditors' Report**

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**To the Members of  
Purvelo Franchising, LLC  
Charlottesville, Virginia**

**Opinion**

We have audited the accompanying financial statements of Purvelo Franchising, LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Purvelo Franchising, LLC as of December 31, 2022, and the changes in its operations and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Purvelo Franchising, LLC, 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 the 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 Purvelo Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

**Auditors' 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 auditors' 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 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.

## **Auditors' Responsibilities for the Audit of the Financial Statement: (Continued)**

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 Purvelo Franchising, LLC 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 Purvelo Franchising, LLC 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.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

April 28, 2023

Purvelo Franchising, LLC

Balance Sheet  
December 31, 2022

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**ASSETS**

**CURRENT ASSETS**

Cash \$ 5,028

**TOTAL ASSETS** \$ 5,028

**LIABILITIES**

**CURRENT LIABILITIES**

Accrued payroll and taxes \$ 1,863

Payroll liabilities 7,268

Due to other organizations 32,927

**Total Current Liabilities** \$ 42,058

**TOTAL LIABILITIES** \$ 42,058

**MEMBERS' EQUITY** \$ (37,030)

**TOTAL LIABILITIES AND MEMBERS' EQUITY** \$ 5,028

See accompanying notes and Independent Auditors' Report.

Purvelo Franchising, LLC

Statement of Income  
Year Ended December 31, 2022

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**OPERATING EXPENSES**

Advertising	\$ 22,128
General and administrative	16,482
Meals	598
Office	10,604
Payroll related expenses	76,731
Payroll taxes	12,278
Professional fees	221,934
Supplies	21
Travel	14,819
Vehicle	<u>27</u>

**TOTAL OPERATING EXPENSES** \$ 375,622

**NET INCOME (LOSS)** \$ (375,622)

See accompanying notes and Independent Auditors' Report.

**Purvelo Franchising, LLC**

**Statement of Changes in Members' Equity  
Year Ended December 31, 2022**

---

	<b>Members' Equity</b>
Balance at beginning of year	\$ -
Capital contributions	690,100
Net income (loss)	(375,622)
Distributions	<u>(351,508)</u>
Balance at end of year	<u>\$ (37,030)</u>

See accompanying notes and Independent Auditors' Report.

**Purvelo Franchising, LLC**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income (loss)	\$ (375,622)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in:	
Accrued payroll and taxes	1,863
Payroll liabilities	7,268
Due to other organizations	<u>32,927</u>

**NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES** \$ (333,564)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Members' contributions	\$ 690,100
Members' distributions	<u>(351,508)</u>

**NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES** 338,592

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVILANTS** \$ 5,028

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** -

**CASH AND CASH EQUIVALENTS AT END OF YEAR** 5,028

See accompanying notes and Independent Auditors' Report.

## Purvelo Franchising, LLC

### Notes to the Financial Statements December 31, 2022

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#### **NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Purvelo Franchising, LLC (the “Company”) is a limited liability corporation, formed on May 23, 2022 under the laws of the Commonwealth of Virginia. The Company operates as the central and franchiser organization for the franchising of various businesses that provide a cycle studio model offering spin and other fitness class offerings.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting:**

The financial statements have been prepared on the accrual basis of accounting, which is in accordance with generally accepted accounting principles.

##### **Revenue Recognition:**

The Company has adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606) “ASC 606”, and several related amendments, issued by the Financial Accounting Standards Board “FASB”. Revenue is recognized in accordance with a five-step revenue model, as follows: identify the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations, and recognizing revenue as the entity satisfies a performance obligation.

The following describes principal activities from which the Company generates its revenues and the associated revenue recognition policy:

##### *Franchise Service Fees*

Franchise service fees consist of royalty, call center, technology, national advertising and service fees charged to franchisees. Royalties generally range from 4% to 6% of the franchisee’s gross sales, depending on the particular franchise concept and upon other factors. The Company recognizes revenue for royalties as they become billable when the underlying franchisee sales occur. Call center, technology and service fees provide a distinct benefit from the franchise right and are therefore separate performance obligations. Fees for these services are generally billed as a monthly fixed or usage-based amount and are recognized as revenue as the services are performed. The Company administers national advertising funds (“NAF”) which are funded by the franchisees and are used to pay for the costs of preparing and producing various advertising and marketing materials for the franchisees. The advertising funded through the NAF benefits the franchise brands overall, rather than the individual franchise owners, and therefore is not a performance obligation separate from the overall franchise right. Any underspending of the NAF contributions is recorded as accrued and other liabilities on the consolidated balance sheets.

##### *Franchise Sales Fees*

Franchise sales fees consist of initial franchise, renewal and termination fees. The Company’s primary performance obligation under the franchise agreements is granting rights to use the Company’s intellectual property over the term of the franchise agreement. Initial franchise fees are not a service distinct from the overall initial franchise right performance obligation and are therefore recognized on a straight-line basis over the franchise agreement term.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Revenue Recognition: (Continued)**

*Other Revenues*

Other revenues consist primarily of rebates and product sales revenues. Rebates received from third-party vendors in return for the Company maintaining a buying program that connects the vendors with the Company's franchise customers are recognized as revenue as they become due, which is generally on a quarterly basis. Rebates are calculated as a percentage of third-party sales. The Company sells products to franchisee customers. The Company acts as an agent in respect of certain third-party products that are sold through the Company's online platforms. The Company has no inventory risk on these products as they are dropped shipped to the franchisees and the third-party vendor are primarily responsible for fulfilling the orders.

**Cash and Cash Equivalents:**

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less, such as money market accounts. The Company maintains its cash in banks in which deposits may, from time to time, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks related to cash.

**Accounts Receivable and Allowance for Doubtful Accounts:**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management determines the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Uncollectible accounts are written off against the allowance when collection of the amounts appears doubtful. As of December 31, 2022, there was no allowance for doubtful accounts and no accounts were written off during the year.

**Property and Equipment:**

Property and equipment are carried at cost less accumulated depreciation and includes expenditures, which substantially increase the useful lives of existing property and equipment. Maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. Depreciation is computed using the straight-line method based on the estimated useful lives of the individual assets. Depreciation expense for the year ended December 31, 2022 was \$0.

**Use of Estimates:**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Taxes:**

The Company is a limited liability company and is not subject to federal or state income taxes. Accordingly, no provision has been made for federal or state income taxes since these taxes are the responsibility of individual members. The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at December 31, 2022 related to uncertain tax positions.

**Advertising:**

The Company expenses advertising production costs as they are incurred and advertising communications costs the first time the advertising takes place.

**Date of Management's Review:**

The Company has evaluated subsequent events through April 28, 2023, the date the financial statements were available to be issued. No events have occurred as of April 28, 2023, that would require adjustment to, or disclosure in, the financial statements.

**NOTE 3—RELATED PARTY TRANSACTIONS**

Included in Due to other organizations are amounts due to the Company's parent of \$20,000, \$8,627, and \$4,300.

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**GUARANTEE OF PERFORMANCE  
FTC**

For value received, Purvelo Franchising, LLC, a Virginia limited liability company located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902 (the “**Guarantor**”), absolutely and unconditionally guarantees to assume the duties and obligations of Neighborhood Barre Franchising, LLC, a Virginia limited liability company located at 126 Garrett Street, Suite J, Charlottesville, VA 22902 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee in Charlottesville, VA on the 30th day of June, 2025.

**Guarantor:**

**Purvelo Franchising, LLC**

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

Name: Paul Flick

Title: CEO

**EXHIBIT F  
(TO DISCLOSURE DOCUMENT)**

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**EXHIBIT G  
(TO DISCLOSURE DOCUMENT)**

**NONDISCLOSURE AND NONCOMPETITION AGREEMENT**

This Nondisclosure and Noncompetition Agreement (the “**Agreement**”) is made and entered into effective the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between Neighborhood Barre Franchising, LLC, a Virginia limited liability company (“**Company**”), located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902 and \_\_\_\_\_ (“**Associate**”), who resides at \_\_\_\_\_.

**RECITALS**

A. The Company has developed methods for establishing, operating and promoting studios (“**Neighborhood Barre Studios**” or “**Studios**”) that offer classes that combine dance conditioning, pilates, and isometric techniques to individuals of all experience and fitness levels. Studios are established and operated under the trade name and service mark “Neighborhood Barre” and other logos, trademarks, service marks and commercial symbols (collectively, the “**Marks**”);

B. The Company has developed a distinctive business format, instruction techniques, systems, exercise methods, procedures, designs, layouts, advertising, promotional and marketing methods, operational standards and specifications, and various other proprietary methods of doing business, trademarks, proprietary Marks, information and know-how (“**Confidential Information**”) and such Confidential Information as may be further developed from time to time by the Company;

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of services and products available, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, employee or as a beneficial owner of a franchised Neighborhood Barre Studio (the “**Franchised Business**”) pursuant to the terms of a Franchise Agreement between the Company and the party identified as the “Franchisee” at the end of this Agreement, or as an immediate family member of the Franchisee or a principal of or investor in the Franchisee or an Approved Affiliate and will become privileged as to certain Confidential Information; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company.

**NOW THEREFORE**, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Confidential Information. Associate and the Company acknowledge that the distinctive business format, plans, methods, instruction techniques, software, data, processes, marketing systems, manuals, product formulas, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Franchisor which are developed and utilized in connection with the Licensed Methods are the Company’s Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company and has valuable goodwill associated with it. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be

wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that it would be very costly for competitors to acquire or duplicate the Confidential Information and that any unauthorized disclosure of such Confidential Information shall cause irreparable harm to the Company.

2. Operations Manuals as Trade Secrets. It is understood that Confidential Information is deemed to include, without limitation, exercise and fitness instruction techniques and methods, client lists, vendor lists, any and all information contained in the Operations Manual, and any information of whatever nature which gives the Franchisor and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such techniques, methods, lists, written materials or information, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company and its affiliates an opportunity to obtain an advantage over its competitors who do not have access to, know or use such Confidential Information.

3. Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or Associate's Studio, any of the Confidential Information of the Company or its affiliates.

4. Noncompetition Covenant. Associate hereby covenants and agrees that, during the term of the Franchise Agreement governing the establishment and operation of the Franchised Business, neither Associate nor any member of Associate's immediate family, shall:

a. have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business;

b. perform services as a director, officer, manager, employee, consultant, representative, agent, or similar position, for a Competitive Business; or

c. divert or attempt to divert any business related to, or any customer or account of the Franchised Business, the Company's business or any other franchisee's Neighborhood Barre Studio, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company, or any affiliates to any Competitive Business by any direct inducement or otherwise.

The term "Competitive Business" as used in this Agreement shall mean any business operating, or any business granting franchises or licenses to others to operate: (1) a training facility or other business deriving more than 10% of its gross receipts from exercise or fitness classes, including but not limited to dance conditioning, Pilates, or isometric technique instruction; (2) a facility featuring a ballet barre and utilizing weights and/or resistance bands; or (3) a business that sells exercise or fitness equipment and merchandise. Notwithstanding the foregoing, the Associate shall not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 5% or less of that class of securities issued and outstanding.

The term "**immediate family**" as used in this Agreement shall mean and include spouses, domestic partners, children, parents and siblings.

5. Post-Termination Covenant Not to Compete. Associate covenants and agrees that, for a period of two years commencing on the effective date of termination, transfer or expiration of the Franchise

Agreement for the Franchised Business, or for a period of two years after termination or cessation of Associate's relationship with the Franchised Business, whichever first occurs, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business located or operating within a 10 mile radius of the Business Location, as defined in the Franchise Agreement governing the Franchised Business, or within 10 miles of any Neighborhood Barre Studio owned by the Company or an affiliate of the Company, or within 10 miles of any other franchised or licensed Neighborhood Barre Studio. The restrictions of this paragraph shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding. Associate and its officers, directors, shareholders, and/or partners expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living.

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds totaling more than \$500, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate.

7. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. Governing Law. This instrument shall be governed by and construed under the laws of the Commonwealth of Virginia.

11. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Virginia, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Virginia. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of the Commonwealth of Virginia. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability and Interpretation. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect. If the restrictions concerning time duration, geography, affected persons or breadth of activity

restrictions contained in Paragraphs 4 and 5 of this Agreement are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

**IN WITNESS WHEREOF**, the parties have signed this Agreement on the date first above written.

**COMPANY:**

**NEIGHBORHOOD BARRE FRANCHISING, LLC**

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

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

**ASSOCIATE:**

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

NAME OF FRANCHISEE:

\_\_\_\_\_

ASSOCIATE'S CAPACITY WITH FRANCHISED  
BUSINESS:

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

LOCATION OF FRANCHISED BUSINESS

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

**EXHIBIT H  
(TO DISCLOSURE DOCUMENT)**

**RENEWAL AMENDMENT TO  
NEIGHBORHOOD BARRE FRANCHISE AGREEMENT**

Neighborhood Barre Franchising, LLC (“**Franchisor**”) and \_\_\_\_\_ (“**Franchisee**”) are signing a Neighborhood Barre Franchise Agreement (“**Agreement**”) contemporaneously herewith and desire to supplement and amend certain terms and conditions of such Agreement by this Renewal Amendment to Neighborhood Barre Franchise Agreement (“**Amendment**”). Initial capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Agreement. The parties therefore agree as follows:

1. Initial Franchise Fee. Section 4.1 is deleted in its entirety.
2. Franchisor’s Development Assistance. Section 7.1 is deleted in its entirety.
3. Initial Training Program. Section 6.1 is deleted in its entirety.
4. Length of Training Program. Section 6.2 is deleted in its entirety.
5. Renewal Terms. In accordance with Section 18.3.c, Franchisee is required to upgrade its Business and services to conform with Franchisor’s current standards and specifications as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

6. Renewal Fee. In accordance with Section 18.3.e, Franchisor acknowledges receipt of \$ \_\_\_\_\_ from Franchisee in payment of the renewal fee.

7. Release. Franchisee, for itself and its affiliates, and their respective current and former successors, assigns, officers, shareholders, directors, members, managers, agents, heirs and personal representatives (“**Franchisee Affiliates**”), hereby fully and forever unconditionally release and discharge Franchisor and its affiliates, and their respective successors, assigns, agents, representatives, employees, officers, shareholders, directors, members, managers and insurers (collectively referred to as “**Franchisor Affiliates**”) from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever (“**Released Claims**”), in law or in equity, whether known or unknown, which Franchisee or Franchisee Affiliates may now have against Franchisor or Franchisor Affiliates or which may hereafter be discovered. Without limiting the foregoing, Released Claims includes, but is not limited to, all claims, demands, obligations, actions, liabilities and damages, known or unknown, in any way arising from or relating to: (i) any relationship or transaction with Franchisor or Franchisor Affiliates, (ii) the Franchise Agreement or any related agreements, and (iii) the franchise relationship, from the beginning of time until the date of this Release.

[**APPLIES ONLY IN CALIFORNIA**] 7(a) Release of Unknown Claims and Waiver of California Law. Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of California may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of the Release, such as Section 1542 of the Civil Code of the State of California, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which, if known by him, must have materially affected the settlement with the debtor.”

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under Section 1542 of the Civil Code of the State of California, and under any similar provisions of any other law (as may be applicable to this Release), to the fullest extent that Franchisee and Franchisee Affiliates may lawfully waive such right or benefit pertaining to the subject matter of this Release. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this Release, but that it is Franchisee’s and Franchisee Affiliates’ intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on their behalf) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(a) of this Addendum.

**[APPLIES ONLY IN SOUTH DAKOTA]** 7(b) Release of Unknown Claims and Waiver of South Dakota Law. Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that the laws of South Dakota may purport to limit or reduce the effect of a general release with respect to claims not known or suspected by them at the time of execution of this Addendum, such as South Dakota Codified Laws § 20-7-11, which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

Franchisee and Franchisee Affiliates waive and relinquish every right or benefit which they have, or may have, under § 20-7-11 of the South Dakota Codified Laws, and under any similar provisions of any other law (as may be applicable to this Agreement), to the fullest extent that they may lawfully waive such right or benefit pertaining to the subject matter of this Addendum. In connection with such waiver and relinquishment, with respect to the Released Claims, Franchisee and Franchisee Affiliates acknowledge that they are aware and informed that they may hereafter discover facts in addition to or different from those that Franchisee and Franchisee Affiliates now know or believe to be true with respect to the subject matter of this Addendum, but that it is their intention to settle and release fully, and finally and forever, all Released Claims, disputes and differences, known or unknown, suspected or unsuspected, which now exist, may exist or heretofore existed, and in furtherance of such intention, the Release given herein shall be and remain in effect as a full and complete release, notwithstanding the discovery or existence of any such additional or different facts that would have affected the release of all Released Claims. Franchisee and Franchisee Affiliates agree to defend, indemnify and hold harmless Franchisor and Franchisor Affiliates from any and all Released Claims arising out of, directly or indirectly, the assertion by Franchisee and Franchisee Affiliates (or any person or entity by, through, or on behalf of Franchisee) of any Released Claims, positions, defenses, or arguments contrary to this Section 7(b) of this Addendum.

8. General. This Addendum shall be construed and enforced in accordance with, and governed by, the laws of the Commonwealth of Virginia. This Addendum embodies the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings relating to

the subject matter hereof, and this Addendum may not be modified or amended or any term hereof waived or discharged except in writing signed by the party against whom such amendment, modification, waiver or discharge is sought to be enforced. Nothing in this Addendum is intended to disclaim any representations made by Franchisor in the most recent franchise disclosure document provided by Franchisor or its representatives to Franchisee in connection with any renewal. The headings are for convenience in reference only and shall not limit or otherwise affect the meaning hereof. This Addendum may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. If any provision of this Addendum shall be held by a court of competent jurisdiction to be invalid or unenforceable, such provision shall be deemed modified to eliminate the invalid or unenforceable element and, as so modified, such provision shall be deemed a part of this Addendum as though originally included. The remaining provisions of this Addendum shall not be affected by such modification. All provisions of this Addendum are binding and shall inure to the benefit of the Parties and their respective delegates, successors and assigns.

9. Inconsistent Terms. The terms and conditions of this Addendum are in addition to or in explanation of the existing terms and conditions of the Agreement and shall prevail over and supersede any inconsistent terms and conditions thereof.

Fully executed this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**NEIGHBORHOOD BARRE FRANCHISING, LLC**

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

**FRANCHISEE:**

\_\_\_\_\_  
\_\_\_\_\_, Individually

**AND:**

Company Name

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

**EXHIBIT I  
(TO DISCLOSURE DOCUMENT)**

**STATE ADDENDA AND RIDERS TO  
THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT,  
AND OTHER AGREEMENTS**

**(if applicable)**

## **Exhibit K**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This 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:

<b>State</b>	<b>Effective Date</b>
California	Not Applicable
Hawaii	Not Applicable
Illinois	Not Applicable
Indiana	Pending
Maryland	Not Applicable
Michigan	Pending
Minnesota	Not Applicable
New York	Not Applicable
North Dakota	Not Applicable
Rhode Island	Not Applicable
South Dakota	Not Applicable
Virginia	Not Applicable
Washington	Not Applicable
Wisconsin	Pending

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT L  
(TO DISCLOSURE DOCUMENT)**

**RECEIPT**

(Keep this copy for your records.)

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 Neighborhood Barre Franchising, 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.

New York requires that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Neighborhood Barre Franchising, 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Neighborhood Barre Franchising, LLC, located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, telephone: (877) 827-8074.

Issuance date: June 30, 2025.

The franchise seller(s) for this offering are Paul Flick located at 126 Garrett Street, Suite J, Charlottesville, VA 22902, telephone 877-827-8074, and/or \_\_\_\_\_, located at \_\_\_\_\_, telephone \_\_\_\_\_.

Neighborhood Barre Franchising, LLC authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated June 30, 2025, and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

- |   |  |   |   |
|---|--|---|---|
| A | List of State Agencies/Agents for Service of Process | G | Nondisclosure and Noncompetition Agreement  |
| B | Franchise Agreement                                  | H | Renewal Amendment to Franchise Agreement  |
| C | List of Franchisees                                  | I | State Addenda to the Franchise Disclosure Document, Franchise Agreement, and other Agreements |
| D | Franchisees Who Have Left the System                 | J | State Effective Dates   |
| E | Financial Statements and Guarantee of Performance    | K | Receipts of Disclosure Document   |
| F | Table of Contents Operations Manual                  |   |   |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

**RECEIPT**

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Neighborhood Barre Franchising, 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.

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The franchisor is Neighborhood Barre Franchising, LLC, located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, telephone: (877) 827-8074.

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The franchise seller(s) for this offering are Paul Flick located at 126 Garrett Street, Suite J, Charlottesville, VA 22902, telephone 877-827-8074, and/or \_\_\_\_\_, located at \_\_\_\_\_, telephone \_\_\_\_\_.

Neighborhood Barre Franchising, LLC authorizes the respective agents identified on Exhibit A to receive service of process for it in the particular state.

I received a Disclosure Document dated June 30, 2025, and effective in the franchise registration states on the dates noted on the page following the State Cover Page, that included the following Exhibits:

- |  |   |
|--|---|
| A List of State Agencies/Agents for Service of Process | G Nondisclosure and Noncompetition Agreement  |
| B Franchise Agreement                                  | H Renewal Amendment to Franchise Agreement  |
| C List of Franchisees                                  | I State Addenda to the Franchise Disclosure Document, Franchise Agreement, and other Agreements |
| D Franchisees Who Have Left the System                 | J State Effective Dates   |
| E Financial Statements and Guarantee of Performance    | K Receipts of Disclosure Document   |

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

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

You may return the signed receipt either by signing, dating and mailing it to Neighborhood Barre Franchising, LLC, located at 126 Garrett Street, Suite J, Charlottesville, Virginia 22902, telephone: (877) 827-8074, or by emailing a copy of the signed and dated receipt to Paul Flick at pflick@extraordinarybrands.com.