



## **FRANCHISE DISCLOSURE DOCUMENT**

**PILATES ADDICTION FRANCHISOR LLC**

## FRANCHISE DISCLOSURE DOCUMENT



### Franchisor:

Pilates Addiction Franchisor LLC  
A Delaware limited liability company  
4000 MacArthur Blvd., Suite 800  
Newport Beach, California 92660  
949-629-4333  
info@pilatesaddiction.com  
www.pilatesaddiction.com

We offer franchises for the operation of fitness studios offering Pilates and other specialized exercise classes using designated equipment and related products and services (each, a “**Studio**”).

The total investment necessary to begin operation of a new Studio ranges from \$238,697 to \$646,547. This includes \$399,057 to \$467,908 that must be paid to the franchisor or its affiliates. If you enter into a Development Agreement, the total investment necessary to begin operation of one new Studio and to have the right to develop between a total of three and ten Studios ranges from \$338,697 to \$931,547. This includes \$499,057 to \$752,908 that must be paid to the franchisor or its affiliates.

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 payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental 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 our Chief Executive Officer, Sarah Luna, at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (Tel. 949-629-4333) or at info@pilatesaddiction.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “*A Consumer's Guide to Buying a Franchise*,” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW., Washington, 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.

This Disclosure Document was issued on May 6, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's 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 support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Pilates Addiction 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 Pilates Addiction franchisee?</b>	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and development agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the metropolitan area in which our principal place of business is then located (currently, Newport Beach, California). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in California than in your own state.

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 APPLIES 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.**

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of the rights and protection provided in this act. This will not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause will 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.
4. 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.
5. 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.
6. A provision that requiring that arbitration or litigation be conducted outside this state. This will not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. 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 will include, but is not limited to:
  1. The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

2. The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
  3. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
  4. 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.
8. 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).
  9. 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 franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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:

State of Michigan Department of Attorney General  
G. Mennen Williams Building, 7<sup>th</sup> Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
Telephone Number: (517) 335-7567

Notwithstanding paragraph (6) above, we intend to enforce fully the provisions of the arbitration sections in our Franchise Agreement and Development Agreement. We believe that paragraph (6) is unconstitutional and cannot preclude us from enforcing our arbitration provision. If you acquire a franchise, you acknowledge that we will seek to enforce that section as written, and that the terms of the Franchise Agreement and the Development Agreement will govern our relationship with you, including the specific requirements of the arbitration section.

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## ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

**General.** To simplify the language in this Disclosure Document, “**we**” or “**us**” means Pilates Addiction Franchisor LLC, the franchisor. “**You**” or “**Franchisee**” means the person or entity who buys the franchise, including all equity owners of a corporation, general partnership, limited partnership, limited liability, or any other type of entity (an “**Entity**”). If you are an Entity, each individual or Entity that has a legal or beneficial interest in you will be referred to as an “**Owner**.” Your Owners and their spouses (as applicable) must sign the Payment and Performance Guarantee attached to the Franchise Agreement, the current form of which is attached to this Disclosure Document as **Exhibit A** (the “**Franchise Agreement**”), which means that all of the provisions of the Franchise Agreement will also apply to your Owners and their spouses (as applicable).

We are a limited liability company formed in Delaware on January 27, 2025. We were originally formed under the name Wundabar Franchisor LLC, but, in March 2025, we changed our name to Pilates Addiction Franchisor LLC. We do business under the “Pilates Addiction™” name (the “**Brand**”). Our principal business address is 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660. If we have an agent for service of process in your state, we disclose that agent in **Exhibit D**.

We became the franchisor of Pilates Addiction™ studios (“**Studios**”) on February 27, 2025. We have never operated a Studio. Although we reserve the right to do so, we have not offered franchises in other lines of business. We have no business activities other than those described in this Item 1.

We do not have any affiliates that provide products or services to our franchisees.

**Predecessor.** Our predecessor, WundaBar Franchising Inc., a California corporation (“**WundaBar Franchising**”), was incorporated on August 5, 2011. WundaBar Franchising was the franchisor of studios that operated under the WundaBar® name (“**WundaBar Studios**”) from November 14, 2011 to February 26, 2025. WundaBar Franchising’s principal business address is 12416 Ventura Blvd., Studio City, California 91604. WundaBar Franchising has never offered franchises in other lines of business, nor has it ever operated a WundaBar Studio, although its affiliates operated WundaBar Studios from 2012 to February 26, 2025. Under the terms of an asset purchase agreement dated as of February 7, 2025, we acquired from WundaBar Franchising and its owner substantially all of the assets relating to or used for the operation of WundaBar Studios, including all right, title, and interest in and to the Marks and the System (each as defined below). We are not affiliated with WundaBar Franchising.

The WundaBar Studios are identical to the Studios, except they operate under the WundaBar® name. We intend to convert the existing WundaBar Studios to the Brand. References in this Disclosure Document include both WundaBar Studios and Studios operated under the Brand.

**Parent and Certain Affiliates.** We are a wholly-owned subsidiary of Sequel Brands, LLC, a Delaware limited liability company (“**Sequel**”). Sequel shares our principal business address.

We are affiliated with Sequel Brands Holdings LLC, a Delaware limited liability company (“**Sequel Holdings**”), which was formed on April 8, 2025. Sequel is the direct parent company to

Sequel Holdings. Sequel Holdings guarantees our performance under our franchise agreements. Sequel Holdings shares our principal business address.

Sequel is the direct parent company to three other franchisors, Body20 Franchisor LLC (“**Body20 Franchisor**”), Beem Franchisor LLC (“**Beem Franchisor**”) and iFlex Franchisor LLC (“**iFlex Franchisor**”), each of which share our principal business address.

Since January 2025, Beem Franchisor has franchised beem® Light Sauna studios offering consumer-grade infrared, red light, and chromotherapy solutions and related services and products in a private spa-like setting. Beem Franchisor’s predecessor franchised such studios from March 2022 to January 2025. As of December 31, 2024, there were 38 franchised and one affiliate-owned beem® Light Sauna studios.

Since April 2025, Body20 Franchisor has franchised Body20® studios offering electro-muscle stimulation-powered full body fitness workouts. Body20 Franchisor’s predecessor franchised such studios from March 2018 to April 2025. As of December 31, 2024, there were 62 franchised and no company-owned Body20® studios.

Since December 2024, iFlex Franchisor has franchised iFlex® studios offering personalized assisted stretch programs, techniques, and systems and recovery sessions. iFlex Franchisor’s predecessor franchised such studios from September 2022 to December 2024. As of December 31, 2024, there were three franchised and one affiliate-owned iFlex® studios. In addition, there were nine franchised iFlex® area representatives.

Other than as described above, these affiliates have not offered franchises in other lines of business or operated any business of the type being offered under this Disclosure Document.

Except for Sequel Holdings, none of our affiliates provide products or services to our franchisees.

**The Business and Franchises Offered.** We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee to develop and operate one or more Studios (each, a “**Franchise**”). Studios offer (i) Pilates and other specialized exercise classes using designated equipment and (ii) related products and services.

A Studio operates under the Brand and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos (collectively, the “**Marks**”). We may designate other trade names, service marks, and trademarks as Marks and may change the Marks at any time.

A Studio operates under a prescribed system of specifications and operating procedures that we have developed and will continue to develop (the “**System**”). The distinguishing characteristics of the System include our Studio designs, layouts, and identification schemes (collectively, the “**Trade Dress**”); our specifications for equipment, inventory, accessories, and supplies; our website or series of websites for the Studios (the “**System Website**”); our relationships with vendors; our software and computer programs; our online booking system; our reservation procedures; the classes and training sessions (collectively, “**Sessions**”) that you offer to customers; any fitness programs and Sessions that we have developed or may develop; the accumulated experience reflected in our operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (collectively, the “**System Standards**”) stated

in our operations manuals (the “**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System periodically.

You may purchase a Franchise to develop and operate one Studio at a mutually agreed upon site (the “**Site**”) within an area (“**Site Selection Area**”) that we will specify in the Franchise Agreement, which we and you will execute. Under the Franchise Agreement, you will have no obligation, nor any right, to open any additional Studios, nor will you have any right to (a) sublicense the Marks or the System to any other person or entity, (b) use the Marks or the System at any location other than the Site, or (c) use the Marks or the System in any wholesale, e-commerce, or other channel of distribution other than the operation of the Studio at the Site.

You must designate an Owner with at least a 10% ownership interest in your Entity as the “**Operating Principal**.” The Operating Principal must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. In addition, you must appoint a manager to manage the day-to-day business of your Studio (the “**Designated Manager**”). Your Operating Principal may serve as your Designated Manager, unless we believe that he or she does not have sufficient experience or qualifications.

Studios are typically located in a metropolitan area or surrounding suburbs. Our standard prototype Studio is a one-story 1,500 to 1,800 square foot space.

**Development Program.** In addition, for qualified franchisees who desire the right to develop multiple Studios within a designated territory (the “**Development Area**”) that meet certain conditions, we also offer the opportunity to enter into a Development Agreement with us (the “**Development Agreement**”) to develop a specific number of Studios according to a pre-determined, mandatory development schedule specified in the Development Agreement (the “**Development Schedule**”). Those franchisees may open and operate their Studios directly or through “**Affiliated Entities**,” which are entities in which you own at least 51% of the direct ownership interests, that conduct no business other than the operation of one or more Studios, and that meet, and all of whose owners meet, our then-current criteria for franchisees and franchisee owners. Our current form of Development Agreement is included as **Exhibit B** to this Disclosure Document. If you sign a Development Agreement, you (or your Affiliated Entity) will sign a Franchise Agreement for your first Studio at the same time.

Franchisees signing the Development Agreement (or their Affiliated Entities) must sign our then-current form of Franchise Agreement for each Studio. While that form may include terms that are different from the form of Franchise Agreement included as Exhibit A to this Disclosure Document, the amount of the initial franchise fee for each Studio that you commit to developing under the Development Agreement will be the amount stated in the Development Agreement. If you fail to open and continue to operate the required number of Studios in the Development Area, we will have the right to terminate the Development Agreement. If the Development Agreement is terminated, you will lose all of your rights to develop the Development Area and will forfeit the unapplied balance of the Development Fee (defined below). However, the Franchise Agreement for each Studio that has been opened will not be terminated solely by reason of the termination of the Development Agreement.

Unless you sign a Development Agreement, you will have no obligation, nor any right, to open any additional Studios.

**Market and Competition.** The general market for exercise and fitness studios and Pilates studios is established and growing. Studios will compete with national, regional, and local health

clubs, gymnasiums, and other fitness and workout studios and programs, which may offer classes or exercise programs similar to and/or competitive with those offered in the Studios. The market for our services is year-round.

**Industry-Specific Regulations.** You will have to comply with laws and regulations that are applicable to business generally (such as workers' compensation, OSHA, and Americans with Disabilities Act requirements). In addition, you will have to comply with laws and regulations applicable to fitness facilities, fitness instructors, and health clubs, which may include laws and regulations requiring training to use and maintain safety equipment, such as automated external defibrillators; requiring training and certification in cardio pulmonary resuscitation (CPR); requiring disclosures and health warnings for weight loss programs, medical claims related to nutritional products, and other FDA-regulated products; requiring postings concerning steroids and other drug use; requiring certain medical equipment in the facility; requiring registration of the facility; limiting the supplements that facilities can sell; requiring bonds if a facility sells memberships valid for more than a specified time period; requiring facility owners to deposit into escrow certain amounts collected from members before the facility opens (so-called "presale" memberships); imposing other restrictions on memberships that facilities sell and related fees; requiring specific financial disclosures to customers; and requiring compliance with other consumer protection requirements.

Federal, state, and local governmental laws, ordinances and regulations periodically change. It will be your responsibility to ascertain and comply with all federal, state, and local governmental requirements in your jurisdiction. We do not assume any responsibility for advising you on these regulatory matters. You should consult with your attorney about laws and regulations that may affect your Studio.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer – Sarah Luna**

Sarah Luna has served as our Chief Executive Officer since January 2025. From January 2021 to December 2024, she was the President of Xponential. She also served as President for various subsidiaries of Xponential, each located in Irvine, California, including (a) from March 2023 to January 2025, Xponential Fitness, LLC, XPOF Assetco, LLC, AKT Franchise SPV, LLC, BFT Franchise SPV, LLC, CycleBar Franchising SPV, LLC, PB Franchising SPV, LLC, Row House Franchise SPV, LLC, Rumble Franchise SPV, LLC, Stretch Lab Franchise SPV, LLC, and Yoga Six Franchise SPV, LLC; (b) from March 2021 to January 2025, AKT Franchise, LLC, BFT Franchise Holdings, LLC, CycleBar Franchising, LLC, PB Franchising, LLC, Row House Franchise, LLC, Rumble Franchise, LLC, Stretch Lab Franchise, LLC, and Yoga Six Franchise, LLC; (c) from January 2025 to January 2025, Lindora Franchise LLC; and (d) from March 2021 to February 2024, Stride Franchise, LLC and Stride Franchise SPV. From November 2018 to December 2020, she was the Brand President of PB Franchising, LLC in Irvine, California. Sarah serves in her present capacities in Newport Beach, California.

### **Chief Financial Officer – Trevor Lucas**

Trevor Lucas has served as our Chief Financial Officer since February 2025. He also has served as Chief Financial Officer and Chief Operating Officer of Sequel Brands since February 2025. From July 2020 to February 2025, he was the Brand President of CycleBar Franchising, LLC ("CycleBar") in Irvine, California. From July 2019 to July 2020, he served as Senior Vice President of Operations for CycleBar. Trevor serves in his present capacity in Newport Beach, California.

### Chief Development Officer - Bob McQuillan

Bob McQuillan has served as our Chief Development Officer since April 2025. He also has served as Chief Development Officer of Sequel Brands since April 2025. From July 2021 to April 2025, he was the Chief Development Officer of BODY20 Global USA, LLC in Austin, Texas. From September 2020 to May 2022, he was the Chief Executive Officer of Avignon Consulting in Mullica Hill, New Jersey. Bob serves in his present capacity in Newport Beach, California.

### Chief Executive Officer of Sequel Brands – Anthony Geisler

Anthony Geisler has served as the Chief Executive Officer of Sequel Brands since January 2025. From January 2020 to May 2024, he was the Chief Executive Officer of Xponential Fitness, LLC (“**Xponential**”) in Irvine, California. He also served as Chief Executive Officer for various subsidiaries of Xponential, each located in Irvine, California, including (a) from March 2023 to May 2024, Xponential Fitness, LLC, XPOF Assetco, LLC, AKT Franchise SPV, LLC, BFT Franchise SPV, LLC, CycleBar Franchising SPV, LLC, PB Franchising SPV, LLC, Row House Franchise SPV, LLC, Rumble Franchise SPV, LLC, Stretch Lab Franchise SPV, LLC, and Yoga Six Franchise SPV, LLC; (b) from March 2021 to May 2024, AKT Franchise, LLC, BFT Franchise Holdings, LLC, CycleBar Franchising, LLC, PB Franchising, LLC, Row House Franchise, LLC, Rumble Franchise, LLC, Stretch Lab Franchise, LLC, and Yoga Six Franchise, LLC; and (c) from March 2021 to February 2024, Stride Franchise, LLC and Stride Franchise SPV. Anthony serves in his present capacities in Newport Beach, California.

## **ITEM 3 LITIGATION**

### **Pending or Prior Actions Involving Us**

None

### **Pending or Prior Actions Involving Our Parent, Predecessor, or Affiliate**

None

### **Pending Actions Involving Individuals Listed in Item 2**

Sarah Luna, our President, previously served as President of Xponential and various subsidiaries of Xponential, and Anthony Geisler, the Chief Executive Officer of Sequel Brands, previously served in the same role for Xponential and various subsidiaries of Xponential. They have been named as defendants, along with other officers and employees of Xponential, in the following lawsuits involving Xponential and its affiliates, which involve similar claims and allegations. We are not affiliated with Xponential and these lawsuits do not involve us or our affiliates.

- Dance Fitness Michigan LLC, et al. v. AKT Franchise, LLC, et al., filed August 30, 2023, Superior Court of the State of California, County of Orange, Case No. 30-2023-01345433-CU-AT-CXC (the “**AKT Lawsuit**”). This action was filed by certain former AKT® franchisees and their owners, including Dance Fitness Michigan LLC, Property Maintenance, Inc., 6pk Mason LLC, 6pk Liberty LLC, Teeny Turner LLC, S2 Fitness Enterprises, LLC, Soros & Associates, LLC, AdEdge Services Inc., Deanna Alfredo, Amanda Davis, Nisha Moeller, Samantha Cox, Suzanne Fischer, Nichole Soros, Michael Soros, Paul Dumas, Jodi Dumas and Laura Hannan (collectively, the “**AKT Plaintiffs**”) against (i) AKT Franchise, LLC and AKT Franchise SPV, LLC; (ii) Xponential, Xponential Fitness, Inc., XPOF Assetco, LLC,

and Xponential Intermediate Holdings, LLC (collectively, the “**Xponential Entities**”); (iii) H&W Franchise Intermediate Holdings LLC, H&W Investco LP, and H&W Investco II LP (collectively, the “**H&W Entities**”); (iv) LAG Fit, Inc.; (v) MGAG LLC; and (vi) Anthony Geisler, Mark Grabowski, Melissa Chordock, Elizabeth “Liz” Batterton Cooper, Alexander Cordova, Lance Freeman, Ryan Junk, Megan Moen, John Meloun, Sarah Luna, Tori Johnston, Justin LaCava, Bobby Tetsch, Brandon Wiles, Jason Losco, Brittney Holobinko, Amy Wehrkamp, Scott Svilich, Sarah Nolan, Emily Brown, Rachel Markovic, and Brenda Morris (collectively, (i) through (vi), the “**AKT Defendants**”) after AKT Franchise, LLC initiated an arbitration against and sought damages from certain of them for breaches of their franchise agreements. The AKT Plaintiffs alleged that one or more of the AKT Defendants (a) violated pre-sale disclosure obligations under the California Franchise Investment Law, the Florida Franchise Act, and the Michigan Franchise Investment Law by failing to provide a compliant Franchise Disclosure Document, making statements that they contend were erroneous or prohibited, and failing to disclose information that they contend necessitated disclosure; (b) fraudulently induced them to invest in franchises; (c) breached the implied covenant of good faith and fair dealing; (d) breached a purported agreement to provide certain financing; and (e) engaged in unfair and deceptive trade practices. The AKT Plaintiffs seek (1) declaratory and injunctive relief regarding the enforcement of the mandatory arbitration provisions in their franchise agreements; (2) rescission of their franchise agreements; (3) actual and special damages; and (4) attorneys’ fees, costs, and interest. The AKT Defendants have all filed a demurrer to the complaint.

- Enlightened Armadillo, Inc., et al. v. Yoga Six Franchise, LLC, et al., filed November 22, 2023, Superior Court of the State of California, County of Orange, Case No. 30-2023-01367265-CU-AT-CXC. This action was filed by two Yoga Six® franchisees and their owners, including Enlightened Armadillo, Inc., Snug Holding Company LLC, Mark Hrubant, Ella Hrubant, and Melinda Sung (collectively, the “**Y6 Plaintiffs**”) against (i) Yoga Six Franchise, LLC (“**Y6**”) and Yoga Six Franchise SPV, LLC; (ii) the Xponential Entities; (iii) the H&W Entities; (iv) LAG Fit, Inc.; (v) MGAG LLC; and (vi) Anthony Geisler, Mark Grabowski, Lindsay Junk, Nate Chang, Jason Losco, Lance Freeman, Ryan Junk, Megan Moen, John Meloun, Sarah Luna, Brenda Morris, and Justin LaCava (collectively, (i) through (vi), the “**Y6 Defendants**”). The Y6 Plaintiffs alleged that one or more of the Y6 Defendants (a) violated pre-sale disclosure obligations under the California Franchise Investment Law by failing to provide a compliant Franchise Disclosure Document, making statements that they contend were erroneous or prohibited, and failing to disclose information that they contend necessitated disclosure; (b) fraudulently induced them to invest in franchises; (c) breached the implied covenant of good faith and fair dealing (as to the Yoga Six entities only); and (d) engaged in unfair and deceptive trade practices. The Y6 Plaintiffs seek (1) declaratory and injunctive relief regarding the enforcement of the mandatory arbitration provisions in their franchise agreements; (2) rescission of their franchise agreements; (3) actual and special damages; and (4) attorneys’ fees, costs, and interest. The Y6 Defendants have all filed a demurrer to the complaint.
- Nickle Acquisition, LLC, et al v. Xponential Fitness, Inc., et al., filed February 3, 2025, Superior Court for the State of California, County of Orange, Case No. 30-2025-01459041-CU-AT-CXC. This action was filed by a CycleBar® and BFT® franchisee and its owners, Nickle Acquisition LLC, Michael Nickle, and Jana Nickle, (collectively, the “**Nickle Plaintiffs**”) against (i) BFT Franchise Holdings, LLC and BFT Franchise SPV, LLC; (ii) CycleBar Franchising, LLC and CycleBar Franchising SPV, LLC; (iii) the Xponential Entities and Xponential Holdings LLC; (iv) H&W Investco LP and H&W Investco II LP; (v) LAG Fit, Inc.; (vi) MGAG LLC; (vii) Anthony Geisler, Mark Grabowski, Trevor Lucas, Ryan

Junk, Lou Defrancisco, Sarah Luna, Lance Freeman, and Kristie Lavasile; and (viii) Navitas Credit Corp. (collectively, (i) through (viii), the “**Nickle Defendants**”). The Nickle Plaintiffs allege that one or more of the Nickle Defendants (a) violated pre-sale disclosure obligations under the California Franchise Investment Law by failing to provide a compliant Franchise Disclosure Document, making statements that they contend were erroneous or prohibited, and failing to disclose information that they contend necessitated disclosure; (b) fraudulently induced them to invest in franchises; (c) breached the Franchise Agreement; (d) breached the implied covenant of good faith and fair dealing; and (e) made fraudulent omissions. The Nickle Plaintiffs seek (1) declaratory and injunctive relief regarding the enforcement of the mandatory arbitration provisions in their franchise agreements; (2) rescission of their franchise agreements; (3) actual and special damages; and (4) attorneys’ fees, costs, and interest. The Nickle Defendants will soon be filing a demurrer to the complaint.

- American Health Concepts, LLC and Yaqim Lalani v. Yoga Six Franchise, LLC, Xponential Fitness, LLC, Anthony Geisler, and Lindsay Junk, filed December 11, 2024, Superior Court of Dekalb County, State of Georgia, Case No. 24CV11069. A former Yoga Six® franchisee and its owner filed this action against Y6, Xponential, the former Chief Executive Officer of Xponential, Anthony Geisler, and the President of Y6, Lindsay Junk. Contending that the Franchise Disclosure Document that Y6 provided to them in connection with their signing of a Yoga Six® development agreement and franchise Agreement in 2019 failed to include certain disclosures required by the Federal Trade Commission Franchise Rule, plaintiffs allege that (i) (a) defendants violated the Federal Trade Commission Act, for which plaintiffs seek damages in the amount of \$430,600, and (b) the development agreement was void for lack of consideration, for which plaintiffs seek damages in the amount of \$135,000; or, alternatively, (ii) (a) defendants committed fraud in the inducement, for which plaintiffs seek damages in the amount of \$430,600, (b) defendants breached the franchise agreement when defendants failed to return a transfer fee paid by plaintiffs when the subject proposed transfer of the franchise agreement was not consummated, for which plaintiffs seek damages of not less than \$5,000, and (c) defendants were unjustly enriched by plaintiffs’ payment of certain initial fees under their Yoga Six® agreements and the above-referenced transfer fee, for which plaintiffs seek damages of not less than \$140,000. Plaintiffs also seek unspecified punitive damages, attorneys’ fees, and other relief as the court may determine. On March 12, 2025, defendants filed a Notice of Removal to remove the action to the United States District Court for the Northern District of Georgia (Case No. 1:25-cv-01315-SCJ).

Xponential Fitness, Inc. (“**XFI**”), which is a publicly-traded company, and certain of its officers, including Anthony Geisler, have been named in securities-related lawsuits that are pending as of the date of this Disclosure Document. As of the date of this Disclosure Document there are three currently pending securities-related lawsuits and, given the nature of these types of claims, we expect additional similar lawsuits to be filed on behalf of other XFI shareholders, with respect to the same set of facts.

- In re Xponential Fitness Securities Litigation, filed February 9, 2024, United States District Court for the Central District of California, Southern Division, Case No. 8:24-cv-00285. Two actions, (1) *City of Taylor General Employees Retirement System v. Xponential Fitness, Inc., Anthony Geisler, and John Meloun*, filed February 9, 2024, United States District Court for the Central District of California, Southern Division, Case No. 8:24-cv-00285 and (2) *City of West Palm Beach Police Pension Fund v. Xponential Fitness, Inc., Anthony Geisler, John Meloun, Mark Grabowski, Brenda Morris, Chelsea Grayson, BofA*

*Securities, Inc., Jefferies LLC, Morgan Stanley & Co. Inc., Raymond James & Associates, Inc., Roth Capital Partners, LLC, and R. Seelaus & Co., LLC*, filed June 18, 2024, United States District Court for the Central District of California, Southern Division, Case No. 8:24-cv-01333, were consolidated into this action on October 3, 2024 (we refer to this consolidated action as the “**Securities Litigation**”).

In the Securities Litigation, Plaintiffs, purported shareholders of XFI during the period between July 23, 2021 through May 10, 2024 (the “**Class Period**”), filed a putative class action in which they purported to be and sought to represent themselves and other similarly-situated shareholders who held Class A common stock shares of XFI during the designated Class Period. The action was filed against (i) XFI, (ii) Anthony Geisler, John Meloun, and Mark Grabowski, as current and/or former officers of XFI (collectively, the “**Officer Defendants**”), (iii) Brenda Morris and Chelsea Grayson, as current and/or former directors of XFI (collectively, the “**Director Defendants**”), and (iv) certain underwriters of XFI (the “**Underwriter Defendants**”), and collectively, (i) through (iv), the “**Securities Defendants**”) alleging that the Securities Defendants made certain materially false and misleading statements and omissions in certain of XFI’s publicly disclosed and filed documents during the designated Class Period, including inaccurate statements regarding key performance indicators and the number of units that had closed, and engaged in a scheme to deceive the investing public and artificially inflate and maintain the price of XFI’s stock. Plaintiffs have alleged that (a) the Individual Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “**Exchange Act**”) and Rule 10b-5 promulgated thereunder, (b) the Securities Defendants violated Section 11 of the Exchange Act, (c) Grabowski and the Underwriter Defendants violated Section 12(a)(2) of the Securities Act of 1933 (the “**Securities Act**”), and (d) XFI, the Individual Defendants, and the Director Defendants violated Section 15 of the Securities Act. Plaintiffs are seeking (x) an award of unspecified compensatory damages, reasonable costs and expenses, and interest in favor of the Securities Plaintiff and other class members and (y) other relief that the court considers proper. The Securities Defendants have filed a motion to dismiss and are actively defending against such claims.

- In re Xponential Fitness, Inc. Derivative Litigation, filed March 10, 2024, United States District Court for the Central District of California, Western Division, Case No. 2:24-cv-01928-JWH-KES. Two actions, (1) *Gideon Akande v. Anthony Geisler, John Meloun, Jair Clarke, Mark Grabowski, Chelsea A. Grayson, Brenda Morris, and, nominally, Xponential Fitness, Inc.*, filed March 10, 2024, United States District Court for the Central District of California, Western Division, Case No. 2:24-cv-01928 and (2) *Patrick Ayers, derivatively on behalf of Xponential Fitness, Inc., v. Anthony Geisler, Jair Clarke, Mark Grabowski, Chelsea A. Grayson, Brenda Morris, and John Melhoun*, filed May 10, 2024, United States District Court for the Central District of California, Southern Division, Case No. 2:24-cv-3937, were consolidated into this action on June 24, 2024 (we refer to this consolidated action as the “**Derivative Litigation**”).

In the Derivative Litigation, Plaintiffs, purported shareholders of XFI, derivatively on behalf of XFI, filed this verified stockholder derivative action against the Individual Defendants, the Director Defendants, and Jair Clarke, a director of XFI (collectively, the “**Derivative Defendants**”) and nominally, XFI, asserting similar allegations to those asserted under the Securities Litigation. Plaintiffs have alleged that the XFI Defendants (i) violated Sections 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, (ii) violated Sections 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, (iii) violated Section 20(a) of the Exchange Act, (iv) breached their fiduciary duties by engaging in



insider trading, (v) grossly mismanaged XFI's business, (vi) wasted XFI's assets, (vii) unjustly enriched themselves, and (viii) abused their ability to control and influence XFI. Plaintiffs have also alleged that Geisler and Meloun are liable for contribution and indemnification under Sections 10(b) and 21D of the Exchange Act. Plaintiffs are seeking (a) an award of unspecified damages, restitution, and interest in favor of XFI, (b) an order that XFI and defendants reform and improve XFI's corporate governance, (c) an award of costs and expenses in favor of Plaintiffs, and (d) other relief that the court considers proper. On April 3, 2024, the court stayed the proceedings pending resolution of the Securities Litigation. The stay was temporarily lifted for the limited purpose of the court entering the order to consolidate the two actions into this one action.

- Stefanie Nelson, derivatively on behalf of Xponential Fitness, Inc., v. Anthony Geisler, Jair Clarke, Mark Grabowski, Chelsea A. Grayson, John Meloun, and Brenda Morris, filed February 10, 2025, United States District Court for the Central District of California, Southern Division, Case No. 8:25cv258. Plaintiff, a purported shareholder of XFI, derivatively on behalf of XFI, filed this verified stockholder derivative action against the XFI Defendants asserting similar allegations to those asserted under the Securities Litigation and Derivative Litigation. Plaintiff has alleged that (i) the XFI Defendants breached their fiduciary duties to XFI, (ii) violated Sections 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, (iii) violated Sections 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, (iv) violated Section 20(a) of the Exchange Act, (v) are liable to XFI for contribution and indemnification under Section 11(f) of the Securities Act (except Clarke), (vi) unjustly enriched themselves, and (vii) aided and abetted each other in breaching their respective duties. Plaintiff has also alleged that Geisler, Grabowski and Meloun engaged in insider selling and misappropriated information. Plaintiff seeks an (a) unspecified award of damages and interest in XFI's favor, (b) an order that defendants Geisler, Grabowski, and Meloun disgorge monies from their sale of XFI stock while in possession of specified information, (c) appropriate equitable relief, (d) an award of costs and expenses in favor of Plaintiffs, and (e) other relief that the court considers proper. A hearing has been scheduled for Plaintiff to show cause as to why the court should or should not consolidate this case into the Derivative Litigation.

Other than the above matters, 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**

**Franchise Fee.** The initial franchise fee (the “**Franchise Fee**”) for a single Studio is \$65,000 and is due upon execution of the Franchise Agreement. If we determine that you are financially and operationally qualified to develop multiple Studios, we may offer you the opportunity to enter into a Development Agreement, in which you will commit to develop a certain number of Studios that you and we consider appropriate. If you enter into a Development Agreement, the Franchise Fee will vary based on the number of Studios that you commit to develop. If you commit to develop between three and five Studios, the Franchise Fee will be \$55,000 per Studio. If you commit to develop between six and nine Studios, the Franchise Fee will be \$45,000 per Studio. If you commit to develop ten or more Studios, the Franchise Fee will be \$35,000 per studio.

In 2024, Predecessor did not sell any Franchises or collect any Franchise Fees.

**Development Fee.** If you enter into a Development Agreement, you must pay us, upon signing the Development Agreement, a development fee equal to 100% of the aggregate of all of the Franchise Fees due for each Studio that you agree to develop (the “**Development Fee**”). The Development Fee will range between \$165,000 to \$350,000 if you commit to develop between three to 10 Studios. The Development Fee will be credited towards the Franchise Fee due for each Studio developed under the Development Agreement, and there will be no additional Franchise Fee due under each Franchise Agreement signed under the terms of this Development Agreement.

**Initial FF&E Package.** Prior to opening your Studio and as we specify, you must purchase an initial package of furniture, fixtures, and equipment (the “**Initial FF&E Package**”) that we will supply to you, including delivery and installation. We expect that you will purchase the Initial FF&E Package from us but will finance it through a third-party vendor via a lease-to-own or equivalent financing arrangement. As detailed in Item 7, we estimate that your pre-opening payments for the Initial FF&E Package, if financed, will range from \$27,600 to \$40,000. If you choose to forego financing and instead purchase the Initial FF&E Package, the estimated cost will range from \$310,057 to \$344,908, which payment is nonrefundable.

**Presale Kit.** Prior to opening your Studio and as we specify, you must pay us \$6,000 for a presale kit, plus our actual shipping costs (collectively, the “**Presale Kit Payment**”), which payment is nonrefundable. Currently, we estimate that shipping costs will range from \$0 to \$3,000. The Presale Kit Payment is paid in consideration of a kit of branded items, such as a pop-up tent, event banners, and other promotional materials that we will supply to you to support grassroots and community outreach events (the “**Presale Kit**”). The Presale Kit will be automatically shipped to you upon the purchase of your Initial FF&E Package.

**Initial Retail Inventory Kit.** Prior to opening your Studio and as we specify, you must pay us \$6,000 for an initial retail inventory kit, plus our actual shipping costs (collectively, the “**Initial Retail Inventory Kit Payment**”), which payment is nonrefundable. Currently, we estimate that shipping costs will range from \$0 to \$3,000. The Initial Retail Inventory Kit Payment is paid in consideration of the initial retail inventory kit that we will supply to you, which typically includes branded apparel, as well as merchandise intended for promotional and early sales activities (the “**Initial Retail Inventory Kit**”). The Retail Inventory Kit will be automatically shipped to you upon the purchase of your Initial FF&E Package.

**Initial Training Fees.** At least 30 days prior to opening the Studio (or by such earlier deadline that we specify), you (or, if you are an Entity, your Operating Principal) and your Designated Manager (collectively, “**Required Trainees**”) must personally attend and satisfactorily complete our initial training program (“**Initial Training**”). Currently, we will provide Initial Training for your initial Required Trainees at no additional charge, as long as all of those trainees are trained during the same training session. We reserve the right, however, to charge a training fee of up to \$1,000 (currently, \$500) per trainee per day for (a) your initial Designated Manager, and (b) each person who attends a subsequent Initial Training program, including (i) each person who is repeating the program (whether pre-opening or during the term of the Franchise Agreement as a refresher training program (whether required by us or requested by you) or replacing a person who did not pass, and (ii) each subsequent Operating Principal, Designated Manager, or employee who attends the program. In addition, if we elect, in our discretion, to provide Initial Training to your Required Trainees at your Studio, you must pay us a training fee of up to \$1,000 (currently, \$500) per trainer per day. You are responsible for the travel

and living expenses of your trainees and, as applicable, our trainers. Our Initial Training is described in greater detail in Item 11.

**Instructor Onboarding Fees.** Each individual that will be providing Pilates instruction at the Studio must attend and successfully complete our instructor onboarding program (“**Instructor Onboarding**”) before providing any Pilates instruction at the Studio. You must pay us a fee of \$4,000 for each Pilates instructor attending Instructor Onboarding (the “**Instructor Onboarding Fee**”). We anticipate that some or all of your Pilates instructors will require additional practice time, coaching, or follow-up instruction, depending on comprehension and readiness, the estimated cost of which is an additional \$1,000 per instructor. If an instructor has already attended and successfully completed our Instructor Onboarding through another Studio, they will not be required to repeat Instructor Onboarding. The total fees payable to us for your initial Pilates instructors to attend Instructor Onboarding is estimated to range from \$12,000 to \$25,000, excluding travel and living expenses (which you are also responsible for covering). The low estimate assumes that only three instructors will attend Instructor Onboarding, and they will not receive the supplemental training. The high estimate assumes that five instructors will attend and also receive the supplemental training. If we, at your request, provide Instructor Onboarding at your Studio, your costs may be higher.

**Opening Deadline Extension Fee.** Under the Franchise Agreement, we may, in our sole discretion, extend the date by which you must open the Studio (*i.e.*, no later than 270 days after the effective date of the Franchise Agreement) (the “**Opening Deadline**”), which we may condition on your paying us an extension fee of \$2,500 for each Studio for each month (or portion of a month) for which the Opening Deadline is extended and your executing a general release. Under the Development Agreement, we also may extend any Signing Deadline or any Opening Deadline (as those Deadlines are stated in the Development Schedule) on the same terms.

**Grand Opening Marketing.** You must spend a minimum of \$15,000 for grand opening advertising and promotion beginning at least 60 days before, and ending 30 days after, the opening of your Studio in accordance with a plan that you must submit to us for our approval. We may require you to pay to us the \$15,000, which we will use to conduct grand opening advertising and promotion for your Studio in a manner that we determine in our sole discretion.

\* \* \*

The fees described in this Item 5 are not refundable under any circumstances. Except as described above, the fees described in this Item 5 are uniform for all franchisees and must be paid in a lump sum.

## ITEM 6 OTHER FEES

### OTHER FEES (Note 1)

Type of Fee	Amount	Due Date	Remarks
Royalty Fee (2)	8% of the Gross Sales of the Studio.	Currently due weekly by the 5 <sup>th</sup> of each month (the “ <b>Payment Due Date</b> ”)	See Note 2 for the definition of Gross Sales.

Type of Fee	Amount	Due Date	Remarks
Brand Fund Fee	Currently, 2% of Gross Sales of the Studio.	The Payment Due Date	We have established and administer a Brand Fund and require you to contribute the Brand Fund Fee. We may increase the fee up to 4% of the Gross Sales of the Studio. See Note 2 for the definition of Gross Sales.
Technology Fee	Currently, \$850 per month.	The Payment Due Date.	The Technology Fee currently includes fees for various technology services that we will provide or arrange for third parties to provide, including our intranet, mobile applications, technology support services, music player, and website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. You will begin paying the Technology Fee during your presale period, which will start three months prior to your opening date. The Technology Fee will be \$750 per month during the presale period. We may increase the Technology Fee from time to time, provided that it will not exceed the greater of \$1,200 per month or 2% of the Gross Sales of the Studio. The Technology Fee is in addition to any technology-related fees that you may be required to pay directly to vendors.
Training Fee for Trainees Attending Subsequent Initial Training Programs (3)	Currently, \$500 per trainee per day.	Within 10 days of receipt of an invoice	As stated in Item 5, currently, there is no charge for your initial Required Trainees to attend our initial training program as long as they are all trained at the same time. We reserve the right, however, to charge a training fee for your (a) initial Designated Manager, and (b) each person who attends a subsequent Initial Training program, including (i) each person who is repeating the program (whether pre-opening or during the term of the Franchise Agreement as a refresher training program) or replacing a person who did not pass, and (ii) each subsequent Operating Principal, Designated Manager, or employee who attends the program. (In addition, if we elect, in our discretion to provide Initial Training to your Required Trainees at your Studio, you must pay us a training fee of up to \$1,000 (currently, \$500) per trainer per day.)

Type of Fee	Amount	Due Date	Remarks
			We may increase the fee from time to time, provided it will not exceed \$1,000 per trainee per day.
Fee for Optional Additional Training Programs (3)	Varies based on program.	Within 10 days of receipt of an invoice	There will be no charge for training programs that we require you or your employees to attend, except for Initial Training under the circumstances stated in Item 5 and Instructor Onboarding. We may, however, charge you a reasonable fee for optional training programs, which will not exceed \$3,000 per attendee per program.
Fee for Remedial Training (3)	Currently, \$500 per trainer per day, plus their travel and living expenses.	Within 10 days of receipt of an invoice	If, in our sole judgment, you fail to maintain our standards, we may, in addition to all of our other rights and remedies under the Franchise Agreement, assign trainers to the Studio to retrain Studio employees and restore service levels and/or require you or your employees to repeat Initial Training or attend additional training programs at a location that we designate. We may increase the fee from time to time, provided it will not exceed \$1,000 per trainer per day.
In-Person Consulting Services (3)	Currently, \$500 for each of our employees or agents for each full or partial day, plus their travel and living expenses.	Within 10 days of receipt of an invoice	Payable if we provide requested consulting services in person at a place other than our offices. We may increase the fee from time to time, provided it will not exceed \$1,000 per trainer per day.
Instructor Onboarding Fee	\$4,000 for each instructor attending Instructor Onboarding, plus an additional \$1,000 if an instructor requires additional training.	Within 10 days of receipt of an invoice	As stated in Item 5, before providing any Pilates instruction at the Studio, each of your Pilates instructors must attend our Instructor Onboarding. Certain instructors may require additional practice time, coaching, or follow-up instruction, depending on comprehension and readiness, which will incur an additional fee. Your costs may also increase if we, at your request, provide Instructor Onboarding at your Studio or if your instructor attends Instructor Onboarding at another Studio. You also are responsible for the traveling and living expenses of your instructors while attending Instructor Onboarding. We may increase these fees from time to time, provided that they will not exceed \$6,000 per instructor, plus \$2,000 for any instructors requiring additional training.

Type of Fee	Amount	Due Date	Remarks
Mandatory Meetings and Conferences	Reasonable registration fee for you and any employees who attend, which will not exceed \$1,000 per person.	Prior to attending the event	Payable for you and your employees who attend any franchise conventions, meetings, product shows or demonstrations, and teleconferences that we may periodically require, which may be held in-person or remotely. The registration fee may vary from event to event based on the costs and expenses we expect to incur, the vendor contributions we expect to collect, and the number of franchisees we expect to attend. If you or any of your representatives do not attend any mandatory events, regardless of the reason, you must pay us, for each absent required attendee, the applicable registration fee, plus \$500, unless we have previously excused in writing the absence. You are responsible for the travel and living expenses of you and your employees.
Music Licensing Fee	The amount charged to us or our affiliates by providers or music clearing houses, plus an administrative fee of up to 5% of such amount.	As arranged	Payable for a license to play music and playlists in the Studio. We may require you to pay the Music Licensing Fee directly to our approved supplier, or we or our affiliates may collect the Music Licensing Fee.
Payment Processing Fee	A reasonable monthly fee plus a reasonable per transaction charge.	Upon demand	We may require you to use us, our affiliate, or an approved or designated vendor to process all credit card transactions related to your Studio. If we require you to use us or our affiliates, we will disclose to you any required fees that you must pay, which will not exceed 115% of our and our affiliates' actual costs and expenses.
Product, Service, Supplier, and Service Provider Review	The greater of \$1,000 or our and our affiliates' actual costs and expenses related to inspections or the testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs.	Upon demand	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved or wish to purchase from a supplier or service provider that we have not approved, whether or not we approve the item, service, supplier, or service provider.

Type of Fee	Amount	Due Date	Remarks
Mystery Shopper Program	Currently, we do not charge you a mystery shopper program fee.	Upon demand	We may require you to participate in a mystery shopper service. If we engage the mystery shopping service on your behalf, you must pay us a fee that will not exceed 110% of our and our affiliates actual costs and expenses. Details of any program and fees will be included in the Manuals.
Successor Fee	25% of the then-current franchise fee	Upon execution of successor franchise agreement	Payable if you are qualify for, and enter into, a successor term.
Transfer Fee Under the Franchise Agreement	25% of the then-current franchise fee for any transfer resulting in a change of control; \$5,000 for any other transfer.	50% due when you provide us notice of the proposed transfer and 50% when the transfer closes	Payable to us if you transfer any interest in your Franchise Agreement, entity, or Studio. A <b>"Control Transfer"</b> occurs if there is a transfer of (i) any interest in the Franchise Agreement, (ii) the Studio or substantially all of its assets, (iii) more than 20% of the ownership interests in you, or (iv) any interests that result in a change in control of your entity. See Item 17.k for the definition of "transfer." If the transfer does not close, we will refund the 50%, less our actual costs and expenses related to the proposed transfer. No Transfer Fee is due for transfers upon the death, incapacity, or bankruptcy of any Owner.
Transfer Fee Under the Development Agreement	\$10,000 for each then undeveloped Studio.	Upon the closing of the transfer	Payable if you transfer your rights under a Development Agreement to develop any undeveloped Studios.
Relocation Fee	\$5,000	Upon demand	Payable if you relocate your Studio from the Site to a new location.
Audit	Up to 120% of our and our affiliates' costs and expenses, including charges of any independent accountant, any related attorneys' fees, and the cost of travel and living expenses and wages for the accountant and our employees and other agents.	Within 10 days of demand	Payable if audit or review shows an understatement of Gross Sales for the audited or reviewed period of 2% or more.

Type of Fee	Amount	Due Date	Remarks
Late Fee and Interest	18% per annum or maximum interest rate allowed by law (whichever is less) from due date to date of payment, plus \$100 for each week that a payment is paid after the due date for the payment specified.	When amount owed becomes past due	Required whenever a payment to us is made after its due date. We may increase the amount of the late fee upon 60 days' prior written notice; however, it will not exceed \$250 per week.
Inspection	Up to 120% of our and our affiliates' costs in inspecting your business, including travel and living expenses and wages for our representatives.	Upon demand	Payable if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Franchise Agreement.
Remedial Expenses	Up to 120% of our and our affiliates' costs and expenses related to correcting your operational deficiencies	Upon demand	Payable if we correct deficiencies that we have identified during a Site inspection and that you failed to correct within a reasonable time after notice from us, not to exceed 30 days.
Non-Compliance Fee	Up to \$1,000 per single violation per day.	Upon receipt of written notice	If we determine that you have violated any of your Franchise Agreement obligations, we may charge you one or more Non-Compliance Fees, which (a) will be specified in the Manuals or otherwise in writing, (b) may be modified upon written notice, (c) may be charged repeatedly (as frequently as daily) if non-compliance is ongoing, and (d) may vary based on the severity and number of defaults and whether the defaults have been repeated.
Insurance Procurement Fee	Up to 120% of our and our affiliates' costs and expenses related to procuring and maintaining the required insurance.	Upon demand	Payable only if you fail to maintain the minimum insurance we require, and we choose to procure the required insurance for you.
Management Fee	10% of the Studio's Gross Sales during the management period, plus any direct out of pocket costs and expenses relating to the Studio's management.	Within 10 days of receipt of an invoice	Payable if we exercise our right to manage your Studio after a default, the death or incapacitation of the Operating Principal, or the departure of a Designated Manager or if we agree to manage your Studio at your request.



Type of Fee	Amount	Due Date	Remarks
Indemnification	Amount of our (and other indemnified parties') liabilities, losses, damages, costs, expenses, and reasonable defense costs (including attorneys' fees).	Upon demand	Payable if we (or other indemnified parties) incur losses due to your breach of the Franchise Agreement, any other action or inaction by you or any other person relating to your Studio, or the Development Agreement.
De-Identification Expenses	Up to 120% of our and our affiliates' costs and expenses related de-identifying your Studio.	Upon demand	Payable if your Franchise Agreement expires or is terminated, you fail to de-identify your Studio, and we take steps to do so.
Liquidated Damages	The average monthly Royalty Fee you owed us during the 12 months prior to termination (or, if the Studio has then been open and operating less than 12 months, the average monthly Royalty Fee during the period in which the Studio was open and operating) multiplied by the lesser of (a) the number of months then remaining in the Term, or (b) 36.	Upon demand	Payable to us if the Franchise Agreement is terminated after the Studio opens.
Attorneys' Fees and Costs	All expenses we and our affiliates reasonably incur (including attorneys' fees) in: (a) enforcing the Franchise Agreement, any Franchisee Party obligation, or the Development Agreement (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in the proceeding); and (b) defending any Franchisee Party claim against us on which we substantially prevail in court or other formal legal proceedings.	As incurred	

Type of Fee	Amount	Due Date	Remarks
Equipment Refresh Program	Our or our affiliates' then-current prices, which will vary based on the included products.	As Incurred	You must participate in our Equipment Refresh Program (as detailed in Item 8), under which we require you to replace or upgrade certain required Operating Assets and other Studio items according to a specified replacement schedule to maintain System Standards.

**NOTES:**

1. All of the fees in the table above are imposed by us, payable to us, non-refundable (except for a portion of the Transfer Fee deposit, as described above), and are uniformly imposed. You must use the payment methods we designate. You must furnish us and your bank with any necessary authorizations to make payment by the methods we require.
2. **“Gross Sales”** means all revenue that you receive or otherwise derive from operating the Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at the Studio, there shall be added to Gross Sales an amount equal to the imputed Gross Sales that the insurer used to calculate those proceeds. Gross Sales includes promotional allowances or rebates paid to you in connection with your purchase of products or supplies or your referral of customers. Gross Sales does not include (i) any bona fide returns and credits that are actually provided to customers and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.
3. In addition to applicable training and consulting fees, you are responsible for (a) any travel and living expenses (including meals, transportation, and accommodations), wages, and other expenses incurred by your trainees and (b) reimbursing us for any travel and living expenses incurred by our and our affiliates' employees or agents related to providing any additional training, remedial training, or consulting services at your Studio.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure (1)	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is Made
Franchise Fee (2)	\$65,000	\$65,000	Lump sum	When you sign Franchise Agreement	Us
Initial FF&E Package (3)	\$27,600	\$40,000	Lump sum	Prior to opening your Studio and as we specify	Us

Type of Expenditure (1)	Low Estimate	High Estimate	Method of Payment	When Due	To Whom Payment Is Made
<b>Presale Kit (4)</b>	\$6,000	\$9,000	Lump sum	Prior to opening your Studio and as we specify	Us
<b>Initial Retail Inventory Kit (5)</b>	\$6,000	\$9,000	Lump sum	Prior to opening your Studio and as we specify	Us
<b>Travel and Related Expenses During Initial Training (6)</b>	\$1,000	\$6,000	As incurred	As incurred	Airlines, hotels, and restaurants
<b>Security Deposits for Utilities (7)</b>	\$900	\$5,500	As incurred	As incurred	Landlord, utility company
<b>Rent and Security Deposit (8)</b>	\$13,000	\$68,000	As incurred	As incurred	Landlord
<b>Net Leasehold Improvements (9)</b>	\$48,100	\$285,500	As incurred	As incurred	Third-party vendors
<b>Signage (10)</b>	\$12,000	\$25,000	As incurred	As incurred	Third-party vendors
<b>Supplies and Accessories (11)</b>	\$500	\$1,500	As incurred	As incurred	Third-party vendors
<b>Technology System (12)</b>	\$2,500	\$3,500	As incurred	As incurred	Third-party vendors
<b>Technology-Related Fees (13)</b>	\$4,047	\$4,047	Lump sum	Monthly	Us and third-party vendors
<b>Business Licenses (14)</b>	\$750	\$9,000	As incurred	As incurred	Government agencies
<b>Professional Fees (15)</b>	\$13,000	\$14,500	As incurred	As incurred	Attorneys, bankers, accountants, and other professionals
<b>Insurance Deposit and Initial Premiums (16)</b>	\$1,300	\$4,000	As incurred	Prior to opening	Insurance agent or carrier
<b>Grand Opening Marketing (17)</b>	\$15,000	\$15,000	As incurred	As incurred	Third party vendors, us, and/or our affiliates
<b>Instructor Onboarding Fees and Related Costs (18)</b>	\$12,000	\$32,000	As Incurred	As incurred	Us, airlines, hotels, and restaurants
<b>Additional Funds, 3 months (19)</b>	\$10,000	\$50,000	As incurred	As incurred	Employees, utilities, suppliers, us, and other third parties, etc.
<b>TOTAL (20)</b>	<b>\$238,697</b>	<b>\$646,547</b>			

#### Notes:

1. Type of Expenditure. The amounts provided in this Item 7 include costs you will incur to start your business. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The estimates provided in this Item 7 assume that you will rent the

premises in which your Studio will be located from a third-party landlord. It does not include costs associated with the acquisition of real estate if you decide to operate from a building you purchase. The costs for rent, fixtures and improvements will vary and may be significantly higher than projected in this table, based on the square footage, location, economic climate, market conditions, prevailing interest rates, other financing costs, the conditions of the property, and other physical characteristics of your Studio.

2. Franchise Fee. The standard Franchise Fee for opening a single unit is \$65,000. See Item 5.
3. Initial FF&E Package. The Initial FF&E Package includes custom-built millwork (such as reception counters, cubbies, and display slatwalls), specified Pilates and fitness equipment (such as Reformers, Cadillacs, balls, and bands), and functional décor and accessories (such as lighting and branded signage), as well as delivery and installation services.

Our estimate assumes that you will purchase the Initial FF&E Package from us but will finance it through a third-party vendor via a lease-to-own or equivalent financing arrangement. The estimate assumes a standard deposit (0% at the low end, 10% at the high end), applicable lease documentation, origination and filing fees, and scheduled payments due within the first four months of operations (including the initial payment at closing and three subsequent monthly payments). If you choose to forego financing and instead purchase the Initial FF&E Package, the estimated cost will range from \$310,057 to \$344,908, which will be payable to us.

4. Presale Kit. The Presale Kit Payment is \$6,000, plus our actual shipping costs, which we estimate to range from \$0 to \$3,000. The shipping costs for the Presale Kit will vary based on the distance between our distribution center and your Studio.
5. Initial Retail Inventory Kit. The Initial Retail Inventory Kit Payment is \$6,000, plus our actual shipping costs, which we estimate to range from \$0 to \$3,000. The shipping costs for the Initial Retail Inventory Kit will vary based on the distance between our distribution center and your Studio.
6. Travel and Related Expenses During Initial Training. This estimate is for the cost of two people to attend three days of Initial Training in Newport Beach, California. You are responsible for the travel and living expenses, wages, and other expenses incurred by your trainees during Initial Training. The actual cost will depend on your point of origin, method of travel, class of accommodations, and dining choices. As stated in Item 5, however, we reserve the right to charge a training fee of up to \$1,000 (currently, \$500) per day for your initial Designated Manager. In addition, if we elect, in our discretion, to provide Initial Training to your Required Trainees at your Studio, you must pay us a training fee of up to \$1,000 (currently, \$500) per trainer per day, and you will be responsible for the travel and living expenses of our trainer(s). Consequently, your Initial Training costs may be higher.
7. Security Deposits for Utilities. This estimate includes deposits on utilities required to open the Studio. These amounts will vary based on your location and the terms of your lease.
8. Rent and Security Deposit. The figures in the table reflect our estimates for leasing our standard prototype Studio, which is a one-story 1,500 to 1,800 square foot space. We may consider variances, at your request, on a case-by-case basis. In addition to base rent, the lease may require you to pay contributions toward property taxes, building insurance,

maintenance of shared areas, HVAC upkeep, and waste services, which are included in the estimates provided. You will also likely be required to pay a security deposit under the lease. This estimate includes three months of base rent and one month's rent for the security deposit.

As stated above, you may choose to purchase, rather than rent, real estate on which a building suitable for the Studio already is constructed or could be constructed. Because of the numerous variables that affect the value of a particular piece of real estate, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building suitable for the Studio.

9. Net Leasehold Improvements. This estimate includes the net cost of leasehold improvements to our standard prototype 1,500 to 1,800 square foot Studio, including HVAC installation, plumbing, electrical systems, carpentry, paint, flooring, and similar construction-related labor and materials. It also includes fees for design and consulting services such as those provided by architects and sound consultants, as well as required construction permits. It further accounts for the value of landlord-provided tenant improvement allowances. We expect that you will not execute a lease unless the landlord provides a commercially reasonable tenant improvement allowance. The included estimate is based on the actual net leasehold improvements of our recently developed Studios, which ranged from \$6,770 to \$32,475 (averaging \$15,575). If you choose to operate your Studio in a space larger than 1,800 square feet, then your costs and expenses may be higher.

Your actual costs will depend on, among other factors, the Studio location, the size of the Studio, the condition of the premises being remodeled, national and local economic factors, the local costs of materials and labor, and the amount of tenant improvement allowances that you are able to obtain, if any. In certain major metropolitan markets such as Boston, Chicago, New York, Los Angeles, San Francisco, Seattle, and Washington, D.C., costs could be significantly higher than the estimates provided here due to local market rates for materials and labor.

10. Signage. This estimate includes the cost of outdoor identification on the Studio and displays and signage throughout the Studio and excludes the cost of any optional or temporary signage that may be used during pre-opening or promotional periods.
11. Supplies and Accessories. This estimate also includes the cost of purchasing an initial supply of office supplies and cleaning supplies, decorative items, and other ancillary items used in the operation of the Studio.
12. Technology System. This figure includes the cost of acquiring the hardware, software, other equipment, and network connections that we specify in the Manuals necessary to operate our point-of-sale system, reservation system, and other technology systems that we designate (the “**Technology System**”). You must purchase these components from suppliers that we approve or designate and must execute any related software licenses required by designated vendors.
13. Technology-Related Fees. This estimate includes the technology-related fees that you will incur in the three months prior to opening, which will include (a) the Technology Fee of \$750 per month (which is the applicable fee in the pre-opening three-month period), which must be paid to us and (b) a POS system license fee of \$599 per month, which must be paid to a third-party vendor, MindBody.

14. Business Licenses. This estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Studio's location.
15. Professional Fees. This estimate includes the cost of professional fees that you may incur in establishing your business. Such expenses may include fees payable to attorneys, accountants, and finance originators that you will need to use for the review of this Disclosure Document and its Exhibits, as well as for Entity formation and lease negotiation.
16. Insurance Deposit and Initial Premiums. This estimate is for your insurance premium deposit and your first three months of insurance coverage, which may be paid prior to opening. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of the deposit. The cost of coverage will vary based upon the area in which your Studio will be located, your experience with the insurance carrier, the loss experience of the carrier, the amount of the deductibles and of coverage, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may wish to carry above our required minimums.
17. Grand Opening Marketing. You must spend a minimum of \$15,000 for grand opening advertising and promotion beginning at least 60 days before, and ending 30 days after, the opening of your Studio in accordance with a plan that you must submit to us for our approval. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. The wages and other payroll-related expenses for your employees will not be credited towards this spending requirement. Your cost may be higher based on the length of time you wish to run opening promotions or any additional marketing spending you may choose to undertake. You must provide us with supporting documentation evidencing these expenditures upon our request. No amount paid by you for your grand opening will be credited towards the Marketing Spending Requirement. We may require you to pay to us the \$15,000, which we will use to conduct grand opening advertising and promotion for your Studio in a manner that we determine in our sole discretion.
18. Instructor Onboarding Fees and Related Charges. As described in Items 5 and 11, before providing any Pilates instruction at the Studio, each of your Pilates instructors must attend our Instructor Onboarding. You must pay a \$4,000 Onboarding Fee for each instructor attending Instructor Onboarding. In addition, we anticipate that some instructors may require additional practice time, coaching, or follow-up instruction, depending on comprehension and readiness, which will cost \$1,000 per person. To complete Instructor Onboarding, your instructors will spend three days at a Studio for the in-person portion and complete 135 hours of online instruction. If there is not another Studio in your market, you will be responsible for the traveling and living expenses of your instructors while attending Instructor Onboarding at an out-of-market Studio. If an instructor has already attended and successfully completed our Instructor Onboarding through another Studio, they will not be required to repeat Instructor Onboarding. The low estimate assumes that only three instructors will attend Instructor Onboarding, they will not need to travel, and they will not receive the supplemental training. The high estimate assumes that five instructors will need to travel and receive the supplemental training.
19. Additional Funds, Three Months. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your business. This estimate includes additional funds you may need to pay employee salaries and wages, utilities, payroll taxes (including payroll to cover the grand opening promotional period and the

pre-opening training period for your staff), rent, Royalty Fees, Brand Fund Fees, Technology Fees, Music Licensing Fees, POS system fees, legal and accounting fees, additional advertising, health and workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses, and other miscellaneous items. The preceding list is by no means intended to be exhaustive of the extent of possible categories of expenses. The expenses you incur during the start-up period will depend on factors such as local economic and market conditions, your business experience, and the level of traffic at your location.

20. **Total.** These estimates are based upon our executive team's experiences working with similar concepts and their consultations with vendors and contractors, as well as our franchisees' experience in developing Studios and Predecessor's experience in franchising Studios. Your costs may vary based on a number of factors, including the geographic area in which you open, local market conditions, the size and condition of your Studio, your skills at operating a business, individual choices, and other factors outside of our control.

We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements. The availability and terms of financing obtained from third parties will depend upon such factors as the availability of financing, your credit worthiness, collateral which you may make available, or policies of local lending institutions with respect to the nature of the business.

## **YOUR ESTIMATED INITIAL INVESTMENT**

### **(MULTIPLE STUDIOS DEVELOPED UNDER DEVELOPMENT AGREEMENT)**

<b>Type of Expenditure</b>	<b>Low Estimate</b>	<b>High Estimate</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is Made</b>
<b>Development Fee (1)</b>	\$165,000	\$350,000	Lump sum	When you sign Development Agreement	Us
<b>Estimated Initial Investment for First Studio (2)</b>	\$173,697	\$581,547	As incurred	As incurred	Us and third parties
<b>TOTAL (3)</b>	<b>\$338,697</b>	<b>\$931,547</b>			

#### **Notes:**

1. **Development Fee.** Upon signing the Development Agreement, you must pay us the Development Fee. The Development Fee varies based on the number of Studios you commit to develop. The low estimate is based on a commitment to develop three Studios (in which case the Franchise Fee under each Franchise Agreement would be \$55,000 per studio) and the high estimate is based on a commitment to develop 10 Studios (in which case the Franchise Fee under each Franchise Agreement would be \$35,000 per studio). The

Development Fee will be credited towards the initial Franchise Fee for each Studio developed under the Development Agreement. The Development Fee is not refundable. See Item 5.

2. Estimated Initial Investment for First Studio. For each Studio that you develop under a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Studio as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Studio.
3. Total. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements.

## ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

**Authorized Products and Services.** We have the right to require that all furniture, fixtures, signs, and equipment (collectively, the “**Operating Assets**”) and products, supplies, and services that you purchase for resale or purchase or lease for use in your Studio: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

You must offer to customers only the products, services, and Sessions we approve in writing. In addition, you must offer the specific products, services, and Sessions that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products and services only in the varieties, forms, and packages that we have approved in accordance with our System Standards. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

We may require you to purchase merchant processing services from us, our affiliates or an approved or designated vendor. The payment processor may process all credit card payments related to your Studio and remit payment to you of all monies owed, after withholding any Operating Fees (*i.e.*, Royalty Fees, Brand Fund Fees, Technology Fees, and Music Licensing Fees) payable to us and any payment processing fees payable to the processor.

You must conduct all Sessions in accordance with the System. You must offer at the Studio any Sessions that we deem to be mandatory. Any Sessions that you or your instructors develop must be consistent with the System Standards that we specify from time to time. If we disapprove of any Sessions that you offer, you must immediately discontinue offering the Session or modify the Session in accordance with our instructions.

Currently, we require you to purchase from us or our affiliates (i) the Initial FF&E Package, (ii) the Presale Kit, (iii) the Initial Retail Inventory Kit, (iv) certain ongoing equipment purchases, including the equipment purchased under the Equipment Refresh Program (detailed below), and (v) replacement inventory and sales materials and accessories. We reserve the right to designate us or our affiliates as approved or required suppliers of other goods or services in the future.



Currently, we require you to purchase from suppliers or service providers that we have designated or approved (i) certain other equipment and supplies, (ii) interior graphics and exterior signage, (iii) the Technology System, (iv) music licenses, and (v) payment processing services. We may require you to purchase other goods or services from approved or designated supplies or services providers in the future.

When you develop and construct your Studio, we have the right to require you to obtain our prior written approval of any project managers, architects, engineers, or designers that you would like to use before you engage them.

One of Sequel Brands' officers owns an interest in us and our affiliates, and we are a supplier with whom you are required to do business. None of our or Sequel Brands' officers own an interest in other, unaffiliated suppliers with whom you are required or recommended to do business.

**Equipment Refresh Program.** To maintain System Standards and ensure a safe and consistent client experience, you will participate in our Equipment Refresh Program. Under this Program, we will automatically distribute to you a standardized set of designated Studio equipment and items (the list of which will be identified in the Manuals) on a recurring basis, according to a specified replacement schedule. The list of designated Studio equipment and items and the designated replacement schedule and inspection schedule for each are included in the Manuals, with such information as of the date of this Disclosure Document stated in the table below. All applicable equipment and items are subject to routine wear and must be replaced at the prescribed intervals, regardless of condition. You must purchase the applicable Studio equipment and items from us at our then-current prices, using the payment methods we designate. As stated above, we will ship the Studio equipment and items to you automatically; no separate purchase orders or approvals from you will be required.

Studio Equipment/Item	Replacement Frequency	Inspection Timeline
Yoga Block	1 year	Monthly
WundaCore Curved Blocks (pair)	1 year	Monthly
Long stretch band	1 year	Monthly
Pilates Mat	1 year	Monthly
WundaCore Loop Band	2 years	Monthly
Chair springs (each)	2 years	Monthly
Reformer springs (each)	2 years	Monthly
Posture pillowcases	2 years	Monthly
Non-skid pads	3 years	Monthly
Neoprene Dumbbells (pair, 3lb)	3 years	Monthly
5" Playground Ball	3 years	Monthly

In addition, you must perform monthly inspections of the above-identified Studio equipment and items according to our designated inspection schedule and maintain the maintenance and inspection documentation that we require.

The following items are excluded from the Equipment Refresh Program and must be replaced on an ad hoc basis based on condition and monthly inspection guidelines, which are included in the Manuals. You are solely responsible for managing the replacement of the following Studio equipment and items:

- WundaCore Resistance Ring;
- Moon Box;
- Long Box;
- Pregnancy Wedge;
- Balance Poles; and
- Strap Extenders.

We may, in our discretion, modify any aspect of the Equipment Refresh Program, including the Studio equipment and items included or excluded, the designated replacement schedule, and/or the designated inspection schedule, by providing notice to you.

**Insurance.** You must obtain before you begin construction and/or development of the Studio and must maintain at all times the types of insurance and the minimum policy limits specified in the Manuals. Currently, we require you to obtain and maintain:

*Comprehensive General Liability and Professional Liability Insurance.* You must maintain comprehensive general liability and professional liability insurance with the following minimum limits:

1. Each Occurrence: \$1,000,000
2. General Aggregate: \$5,000,000 (per Studio)
3. Products Completed Operations Aggregate: \$5,000,000
4. Personal and Advertising Injury: \$1,000,000
5. Participant Legal Liability: \$1,000,000
6. Professional Liability: \$1,000,000
7. Damage to Premises Rented to You: \$1,000,000
8. Employee Benefits Liability (each employee): \$1,000,000
9. Employee Benefits Liability (aggregate): \$2,000,000
10. Medical Expense (any one person): \$5,000
11. Sexual Abuse and Molestation: included (not excluded)

Such insurance will 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).

*Automobile Liability Insurance.* You must maintain automobile liability insurance covering liability arising from the use, operation, or maintenance of any vehicle (including owned, leased, hired, or non-owned vehicles) used in connection with the ownership or operation of the Studio. This requirement applies only if such vehicles are used in the course of operating the Studio. Coverage limits must meet or exceed the minimum compulsory requirements in your state; however, it is strongly recommended that you maintain coverage of at least \$1,000,000 per occurrence as a combined single limit for bodily injury and property damage.

*Workers’ Compensation Insurance.* You must maintain workers’ compensation insurance for all employees as required by applicable state law, providing statutory benefits in accordance with such laws. This insurance must also include employer’s liability coverage with limits of not less than \$500,000 per accident for bodily injury, \$500,000 per employee for bodily injury by disease, and \$500,000 policy limit for bodily injury by disease.

*Property Insurance.* You must maintain property insurance written on a special causes of loss form with limits equal to the current replacement cost of all business personal property located at the Studio, including furniture, fixtures, equipment, and leasehold (tenant) improvements. Coverage must also include: (a) plate glass coverage with limits of no less than \$25,000; (b) signage coverage with limits of no less than \$10,000; and (c) business interruption and extra expense coverage with limits sufficient to cover no less than 12 months of rent.

*Employment Practices Liability Insurance.* You must maintain employment practices liability insurance with limits of no less than \$1,000,000 per claim and in the aggregate, with a self-insured retention not exceeding \$25,000. This policy must provide defense and indemnity coverage for claims brought by any of your employees, staff, or contractors alleging employment-related acts, errors, or omissions (including but not limited to discrimination, wrongful termination, harassment, and retaliation). The policy must also include third-party employment practices liability coverage.

You may be required to acquire additional insurance by the laws in your area. In addition, you should discuss with your insurance agent whether to purchase additional coverage beyond these minimum amounts.

All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an “occurrence” basis, except for the employment practices liability insurance coverage, which is on a “claims made” basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manuals, you must provide us with certificates of insurance evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of coverage upon 60 days’ notice to you.

**Technology System.** You are required to purchase most of the components of the Technology System that we specify from suppliers that we approve or designate, including the software, hardware (e.g., computer, tablets, and security cameras), and related equipment

required to connect to our technology platform. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute any software license agreements that we or the licensor of the software require and any related software maintenance agreements.

**Approval Process.** If you would like to offer products or use any supplies, Operating Assets, or services that we have not approved or to purchase or lease from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have 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. We may require the proposed supplier or service provider to visit our headquarters, currently, in Newport Beach, California, to evaluate the proposed supplier or service provider in person. You will pay us a charge that is equal to the greater of \$1,000 or our and our affiliates' actual costs and expenses related to the inspection and/or 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. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 30 days after submitting all of the information that we request, our failure to respond will be considered a disapproval of the request. The products and services that we approve for you to offer in your Studio may differ from those that we permit or require to be offered in other Studios.

We reserve 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 our then-current criteria. If we revoke approval of a previously-approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

**Issuance of Specifications and Standards.** To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. We will notify you of any changes to our Manuals, specifications, or standards in writing, which we may transmit to you electronically.

**Proportion of Purchases Subject to Specifications.** We estimate that the cost to purchase and lease all equipment, inventory and other items and services that we require you to obtain from us or our affiliates, from designated suppliers, or in accordance with our specifications ranges from 80% to 95% of the total cost to purchase and lease equipment, inventory, and other items necessary to establish a Studio and 15% to 25% of the total cost to purchase and lease equipment, inventory, and other items to operate a Studio.

**Revenue from Purchases.** We and/or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services we or our affiliates

provide to you and from promotional allowances, volume discounts, and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates consider appropriate. If you derive any revenue based on payments or promotional allowances received from suppliers and/or distributors, you must report to us the details of the arrangement, and such revenue will be included as part of your Gross Sales.

We have established arrangements with certain suppliers that require the supplier to make rebate payments to us equal to 5% to 25% of your total purchases for certain items. As we became the franchisor of the Brand in February 2025, in the 2024 fiscal year, neither we nor our affiliates received any rebates from the required purchase of products and services by our franchisees.

**Cooperatives and Purchase Arrangements.** We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have negotiated certain purchase arrangements.

**Material Benefits.** We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

**Development Agreement.** The Development Agreement does not require you to buy or lease from us (or our affiliates), our designees, or approved suppliers, or according to our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or comparable items related to establishing or operating your business under the Development Agreement. However, each proposed site for a Studio must satisfy our site-selection criteria and is subject to our written acceptance. Additionally, as otherwise provided in this Disclosure Document, our form of Franchise Agreement covers these items.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement (FA) and Development Agreement (DA). It will help you find more detailed information about your obligations in the Franchise Agreement, Development Agreement, and in other items of this Disclosure Document.

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	FA: Sections 4.1 and 4.3 DA: Section 3.1(a)	Item 11
b.	Pre-opening purchases/leases	FA: Sections 3.5, 4.3, 6.8, and 6.11 DA: Section 3.1(b)	Items 6, 7, 8 and 11
c.	Site development and other pre-opening requirements	FA: Sections 4.4 and 4.5 DA: Sections 3.1(b) and 3.2	Items 7, 8 and 11
d.	Initial and ongoing training	FA: Section 5	Items 6, 7 and 11

	Obligation	Section in Franchise Agreement	Disclosure Document Item
e.	Opening	FA: Section 4.5 DA: Section 3.2	Items 6 and 11
f.	Fees	FA: Sections 2.2(i), 3, 4.5, 4.6, 5.1(a), 5.3, 5.4, 5.6, 6.2(c), 6.8(d), 6.10(b), 6.11(a), 6.14, 8.4(a), 8.5, 8.6, 13.4(a), 13.5, 13.6, 14.2(b)(viii), 15.1, 15.2, and 16.9 and Appendix A DA: Sections 2 and 3.2(c)	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/Operations Manual	FA: Sections 5.4, 5.5, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.10, 6.12, 7.3, 8.4, 8.6, 10.3, and 13.4	Items 7, 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	FA: Sections 9 and 10 DA: Section 10	Items 13, 14 and 17
i.	Restrictions on products/services offered	FA: Sections 6.6, 6.7, and 6.8	Items 8 and 16
j.	Warranty and customer service requirements	FA: Section 6.12 and 8.6	Items 8 and 16
k.	Territorial development and sales quotas	FA: Section 6.4 DA: Section 4	Item 12
l.	Ongoing product/service purchases	FA: Sections 6.7 and 6.8	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	FA: Sections 4.5, 6.3, and 6.5	Items 7, 8 and 11
n.	Insurance	FA: Section 6.14	Items 7 and 8
o.	Advertising	FA: Sections 3.3 and 7	Items 6, 7, 8 and 11
p.	Indemnification	FA: Section 11 DA: Section 9	Item 6
q.	Owner's participation/management/staffing	FA: Sections 1.4, 1.5, and 6.2	Items 11 and 15
r.	Records and reports	FA: Section 8.1, 8.2, and 8.3	Items 6 and 17
s.	Inspections and audits	FA: Sections 8.4, 8.5, and 8.6	Items 6 and 11
t.	Transfer	FA: Section 13 DA: Section 7	Items 6 and 17
u.	Renewal	FA: Section 2.2	Item 17
v.	Post-termination obligations	FA: Section 15	Item 17
w.	Non-competition covenants	FA: Section 12 and 15.11 DA: Section 8	Item 17
x.	Dispute resolution	FA: Section 16 DA: Section 10	Item 17

## ITEM 10 FINANCING

We and our affiliates do not offer direct or indirect financing arrangements for any purpose in establishing or operating your Studio. We and our affiliates do not guarantee your promissory note, lease, or any other obligations you may make to others.

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

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

### **Our Pre-Opening Obligations**

For all Franchise Agreements, whether executed pursuant to a Development Agreement or otherwise, before you begin operating your Studio:

**1. Designate Areas.** We will designate your Site Selection Area. (Franchise Agreement - Section 1.1)

**2. Site Selection.** If you identify a site in the Site Selection Area that is reasonably suited for the conduct of the Studio and is consistent with any site selection guidelines that we may provide, before entering into any lease or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and provide any other information that we reasonably require. We will review each site that 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. We will conduct such on-site evaluation as we consider necessary and appropriate as part of our evaluation. 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: site visibility, zoning, parking, competition, neighboring tenants, accessibility, population density, and adjusted gross income. While we will provide assistance and guidance, it is solely your responsibility to select a suitable site for the Studio. Our acceptance of a proposed site is not a warranty or representation of any kind as to the potential success or profitability of your Studio. (Franchise Agreement - Section 4.1)

**3. Site Acquisition.** 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 or your affiliate leases 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 Appendix D to the Franchise Agreement (the Franchise Agreement is attached as Exhibit A of this Disclosure Document) by you and your landlord. Our review of the Site lease or sublease (the “**Site Lease**”) is for our own benefit only and is not intended to supplement or replace a review by your attorney. We may require you to engage an attorney to review your Site Lease or purchase agreement for the Site that we have accepted and to supply us with reasonable documentation relating to that 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. You must secure a site that we have accepted by signing a Site Lease or purchase agreement within 90 days after the effective date of your Franchise Agreement (the “**Site Acquisition Deadline**”). We may extend the Site Acquisition Deadline by up to 90 days in our sole discretion, and we may require you to execute a general release as a condition of our agreeing to grant such extension. If we have accepted a site for your Studio, and you are unable or unwilling to acquire such site or an alternative site that we accept by the Site Acquisition Deadline, we may terminate the Franchise Agreement. (Franchise Agreement – Section 4.3)

**3. Plans.** We will make available to you a set of prototype plans and specifications (not for construction) for the Studio and for the exterior and interior design and layout. You will

engage designers, architects, and engineers to 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 plans developed by your contractors, which we must approve prior to their submission to permitting. We have the right to require you to obtain our prior written approval of any project managers, architects, engineers, or designers that you would like to use before you engage them. (Franchise Agreement - Section 4.4(a))

**4. Approval of Contractors.** 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 - Sections 4.4(c))

**5. Initial Training.** Currently, we will provide Initial Training to your Required Trainees at no additional charge, as long as all of those trainees are trained during the same training session. We reserve the right, however, to charge a training fee of up to \$1,000 (currently, \$500) per day for your initial Designated Manager. In addition, if we elect, in our discretion, to provide Initial Training to your Required Trainees at your Studio, you must pay us a training fee of up to \$1,000 (currently, \$500) per trainer per day. See "Training" below in this Item for additional information regarding Initial Training and Instructor Onboarding. (Franchise Agreement - Section 5.1 and Appendix A)

**6. Manuals.** We will provide you with electronic access to our Manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect. (Franchise Agreement - Section 6.1(a))

**7. Initial Kits.** We will supply you the Presale Kit, Initial Retail Inventory Kit, and Initial FF&E Package. We, our affiliates, and our designated suppliers may supply you with additional products or equipment for an additional fee. (Franchise Agreement - Sections 3.5 to 3.7)

**8. Advice.** We will advise you as to development of Session schedules and local marketing and networking efforts. We will provide you with templates for Membership Agreements, certain other agreements, and related waivers for use in your Studio, which you must modify to comply with Applicable Laws. We must approve any modified forms of such agreements or waivers. (Franchise Agreement – Sections 5.2 and 6.3(e))

**9. Opening Approval.** We will approve your Studio opening, provided that you have met all of our requirements for opening, including, but not limited to, providing us with a certificate of occupancy, building the Studio in compliance with the plans that we approved, ensuring that your initial employees have satisfied any applicable training requirements that we designate, and meeting the required minimum number of pre-opening members and/or paid membership sales (at least 200 members and/or memberships that will generate at least \$25,000 in recurring monthly Gross Sales), with the intent and effect that such pre-sold memberships will commence immediately on the Studio's opening date. We estimate that the typical length of time between signing a Franchise Agreement and opening your Studio is approximately six to nine months. Factors affecting this length of time include, among others: ability to select a site and negotiate a satisfactory lease; hiring of the requisite employees; successful completion of Initial Training and Instructor Onboarding; local ordinances or community requirements; delivery of fixtures, equipment, and signs; issuance of all necessary licenses, permits and approvals; and procuring



required insurance. You must complete construction of and open the Studio no later than 270 days after the effective date of the Franchise Agreement (the “**Opening Deadline**”). We may extend this deadline, in our sole discretion, which we may condition on your agreeing to pay an extension fee of \$2,500 for each month (or portion of a month) for which the deadline is extended and your executing a general release. (Franchise Agreement - Section 4.5)

If we and you (or your affiliate) are parties to a Development Agreement, the negotiated deadlines specified in that Development Agreement will generally supersede the development deadlines specified above.

### **Ongoing Assistance**

During the operation of your Franchise:

**1. Review Advertising.** We will review any advertising or marketing materials using any of the Marks. (Franchise Agreement - Sections 7.3(b))

**2. Brand Fund Management.** We will manage the Brand Fund as described below in this Item. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy. (Franchise Agreement - Section 7.2(a))

**3. Requested Consulting Services.** We will provide to you additional consulting services with respect to the operation of the Studio upon your reasonable request and subject to the availability of our personnel. If we consider it appropriate or necessary, we will make available to you information about new developments, techniques, and improvements in the areas of merchandising, advertising, management, operations, and Studio design. We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us a fee and our expenses. (Franchise Agreement - Section 5.6)

**4. Relocation Review.** We will evaluate sites to which you propose to relocate your Studio in accordance with our then-current requirements. (Franchise Agreement - Section 4.6)

**5. Pricing.** If we determine that we may lawfully require you to charge certain prices for goods or services, certain minimum prices for goods or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. If we set a suggested retail price for a good or service, we may prohibit you from advertising any other prices for such goods or services. Except as provided above and in Section 6.10(a) of the Franchise Agreement (Promotional Programs and Reciprocity), you are solely responsible for determining the prices that you charge customers. You must provide us with your current price list upon our request. (Franchise Agreement - Section 6.7)

### **Advertising**

**Our Marketing.** We may from time to time formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine

to be most effective. We may make available for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared.

If we conduct media advertising, we may use direct mail, print, radio, Internet, or television, which may be local, regional, or national in scope. We may produce the marketing materials in-house or employ a local, regional, or national advertising agency. We are not obligated to conduct any advertising or marketing programs within your market.

**Brand Fund.** We have established and administer a Brand Fund to which you must contribute up to 4% (currently, 2%) of Gross Sales. Under no circumstances will we be deemed a fiduciary with respect to any Brand Fund Fees we receive or administer. We are not required to have an independent audit of the Brand Fund completed, but, if we elect to do so, we may use Brand Fund monies to pay for the audit. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees who make a written request for a copy. If any monies in the Brand Fund remain at the end of a fiscal year, they will carry-over in the Brand Fund into the next fiscal year. We or one of our affiliates may make or otherwise arrange loans to the Brand Fund in any year in which the balance of the Brand Fund is negative and charge a reasonable rate of interest. The amounts loaned to the Brand Fund will be repaid from future contributions to the Brand Fund in the year the loan is made or in subsequent years.

We may use monies in the Brand Fund and any earnings on the Brand Fund account for any costs associated with advertising (media and production), branding, marketing, public relations and/or promotional programs and materials, and any other activities we determine, in our sole discretion, would benefit the Brand or the Studios generally. These activities may include, but are not limited to: (i) advertising campaigns in various media; (ii) creation, maintenance, and optimization of the System Website or other websites; (iii) keyword or adword purchasing programs; (iv) conducting and managing social media activities; (v) direct mail advertising; (vi) market research, including secret shoppers and customer satisfaction surveys; (vii) branding studies; (viii) engaging advertising and/or public relations agencies and paying any related retainers and fees; (ix) paying the salaries and benefits of our marketing and brand-building personnel and any other overhead related to our marketing department; (x) purchasing promotional items; (xi) conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; (xii) marketing the sale of Franchises; (xiii) providing promotional and other marketing materials and services to our franchisees; and (xiv) reasonable administrative costs and overhead we incur related to the administration of the Brand Fund and the implementation of Brand Fund-supported programs.

We may consult with, in our sole discretion, a franchisee advisory council selected by franchisees or a committee of franchisees that we appoint regarding marketing programs. However, we have the right to direct all marketing programs and uses of the Brand Fund, with the final decision over creative concepts, materials, and media used in the programs and their placement.

We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

We will make any sales and other materials produced with Brand Fund monies available to you without charge or at a reasonable cost, and we will deposit the proceeds of such sales into the Brand Fund.

If we or our affiliates operate any Studios, we or our affiliates will contribute to the Brand Fund a percentage of the receipts of those Studios, on the same basis as required for franchisees. If we reduce the Brand Fund contribution rate for franchisees, we will reduce the contribution rate for company or affiliate-owned Studios by the same amount. Our other franchisees may not be required to contribute to the Brand Fund, may be required to contribute to the Brand Fund at a different rate than you, or may be required to contribute to a different Brand Fund.

In fiscal year 2024, Brand Fund expenditures by Predecessor were allocated as follows: 62.3% on production; 8.4% on media placement; and 29.3% administrative expenses.

**Local Marketing.** You must participate in such advertising, promotional, and community outreach programs that we may specify periodically, at your own expense. You must use your best efforts to promote the use of the Marks in your Territory. You must ensure that all advertising, marketing, promotional, customer relationship management, public relations, and other Brand-related programs and materials that you or your agents or representatives develop or implement relating to the Studio (i) are completely clear, factual, and not misleading, (ii) comply with all Applicable Laws, and (iii) conform to the highest ethical standards and the advertising and marketing policies that we periodically specify. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. There are no territorial restrictions from accepting business from retail customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You will conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is considered disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

You must spend at least \$1,500 per month on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Brand Fund Fee. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any month, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Brand Fund Fee or to pay us the shortfall for us to spend on local marketing for your Studio.

In connection with the opening of the Studio, you must spend a minimum of \$15,000 for grand opening advertising and promotion beginning at least 60 days before, and ending 30 days after, the opening of your Studio under the terms of a plan that you must submit to us for our approval. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. The wages and other payroll-related expenses of your employees will not be credited towards this spending requirement. No amount paid by you for your grand opening will be credited toward the Marketing Spending Requirement. You must provide us with supporting documentation evidencing these expenditures upon request. We may require you to pay to us the \$15,000, which we will use to

conduct grand opening advertising and promotion for your Studio in a manner that we determine in our sole discretion.

**Advertising Cooperatives.** You must join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or approve for the purpose of promoting, coordinating, and purchasing advertising in local, regional, or national areas where there are multiple Studios (“**Advertising Cooperatives**”) and abide by the bylaws, rules, and regulations duly required by the Advertising Cooperative, which we have the right to mandate or approve. If you join an Advertising Cooperative, the Advertising Cooperative may require you to spend additional funds on marketing programs conducted by the Advertising Cooperative, which may be in addition to your Brand Fund Fee or Marketing Spending Requirement. There is no cap on this potential spending obligation. We will have the right to approve any marketing materials or marketing programs developed by any Advertising Cooperative in the same manner as described above in this Item for local marketing.

We currently do not have any Advertising Cooperatives, nor do we have any plans to form any Advertising Cooperatives in the immediate future. If we form an Advertising Cooperative, we will have the right to determine how membership will be defined, whether company-owned Studios will participate in the Advertising Cooperative, and whether we, an affiliate, a franchisee, or a third party will administer the Advertising Cooperative. If we form an Advertising Cooperative, we will make any governing documents available to you for your review.

**Digital Marketing.** We or our affiliates may, in our sole discretion, establish, operate, and/or participate in websites, social media accounts (such as Facebook, X, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, ClassPass, etc.), mobile applications, podcasts, blogs, vlogs, video and photo-sharing sites (such as TikTok, YouTube, etc.), chat rooms, virtual worlds, review sites, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that may be used to promote the Marks, your Studio, and the entire network of Studios. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Studio. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Studio or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. If we permit you or your employees to conduct any Digital Marketing, we will have the right to retain full control over all websites, social media accounts, mobile applications, or other means of digital advertising that we have permitted you to use. We may withdraw our approval for any Digital Marketing or suspend or terminate your use of any Digital Marketing platforms at any time.

As part of our Digital Marketing, we or one of our designees will operate and maintain a System Website, which will include basic information related to the Studio, the ability for customers to purchase Sessions at your Studio, and access to the Studio’s reservation system. You must promptly provide us with any information that we request regarding your Studio for inclusion on the System Website.

**Promotional Programs and Reciprocity.** You must participate in all in-Studio promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and

other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards, or coupons (including Groupons and similar discounts) unless approved or offered by us or our affiliates.

We or our affiliates have the right, but not the obligation to, offer deals or other discounted promotions, coupons, vouchers, memberships, reciprocity programs, or gift certificates on third-party websites or apps (such as Groupon, ClassPass, etc.) or other similar promotions designed to drive customers to Studios (“**Deals**”). If we or our affiliates offer any Deals, we and our affiliates have the right to collect and retain any revenue from such Deals, including any customer payments to such third parties. You must provide Sessions or other products or services to any customers redeeming any vouchers, gift certificates, classes, or coupons related to such Deals in accordance with the standards and other terms that we periodically specify. Except as we otherwise approve, you must treat customers who purchase Deals in the same manner as any other customer and must not limit their access to your Studio or Sessions. We may, in our sole discretion, pay to you all, or a portion of, any revenue that we receive that is directly related to Deals that are redeemed by customers at your Studio, but we are not obligated to do so and the amount of such reimbursement, if any, may be less than the standard price you charge for such Sessions, products, or services.

You must adhere to our policies and procedures related to Member reciprocity amongst (a) other Studios and/or (b) studios operated as part of the franchise systems in connection with the

**Advertising Councils.** We currently do not have an advertising council composed of franchisees to advise us on our advertising policies. We currently plan, however, to establish one in fiscal year 2025. We currently anticipate that the advertising council will be made up of three franchisee members, with such members to be initially designated by us until we have developed a suitable member election process. We will set policies related to the council. The advertising council will be advisory and will not have any decision-making authority. We will have the right to modify or dissolve any advertising council that we create.

### **Computer System**

You must obtain, maintain, and use the Technology System that we specify periodically in the Manuals to (i) enter and track purchase orders and receipts, attendance, and customer information, (ii) update inventory, (iii) enter and manage your customer’s contact information, (iv) generate sales reports and analysis relating to the Studio, and (v) provide other services relating to the operation of the Studio. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements. There are no contractual limitations on our right to require changes to the Technology System.

Your Technology System will be dedicated for business uses relating to the operation of the Studio. You will (i) use the Technology System under the terms of our policies and operational procedures; (ii) transmit financial and operating data to us as required by the Manuals; (iii) do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may independently download and transfer

data via a connection that we specify; (iv) maintain the Technology System in good working order at your own expense; (v) ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (vi) refrain from loading, and from permitting others to load, any unauthorized programs or games on any hardware included in the Technology System. You also must comply with all laws and payment card provider standards relating to the security of the Technology System, including the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the Technology System is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

The Technology System typically includes one computer with Internet access, a tablet for guest check-in, mic, audio system, camera system, TV screen, a phone system, and the required point-of-sale system. Components of the Technology System must be connected to the Internet via a high-speed Internet connection. The Technology System will use third-party software from our approved vendors.

We estimate that the Technology System will cost between \$2,500 and \$3,500, which includes the cost of the hardware, software licenses, related equipment, and network connections, including related installation costs. Currently, all components of the Technology System must be purchased from our approved vendors.

On an ongoing basis, you must pay us the Technology Fee for certain technology-related services, which is currently \$850 per month (\$750 per month during the three-month period prior to your opening date). In addition, you must pay MindBody, our approved POS system vendor, a license fee that is currently \$599 per month.

We currently do not require you to enter into, or expect that you will need to enter into, any maintenance, updating, upgrading, or support contracts related to the Technology System. We, our affiliates, and third-party vendors are not obligated to provide you with any ongoing maintenance, repairs, upgrades, or updates. Vendors may be able to offer optional maintenance, updating, upgrading, or support contracts to you, which we estimate may cost approximately \$2,500 per year.

You, at all times, must give us unrestricted and independent electronic access (including users IDs and passwords, if necessary) to the Technology System for the purposes of obtaining the information relating to the Studio. You must permit us to download and transfer data via a connection or such other connection that we specify on a real-time basis. There are no contractual limitations on our right to access data stored in the Technology System.

## **Manuals**

The current Table of Contents of the Manuals is attached as **Exhibit E** to this Disclosure Document. The Manuals are currently under development and are expected to be completed by the end of 2025. We may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the System. You must comply with revised standards and procedures within 30 days after we transmit the updates, unless we otherwise specify.

## **Training**

**Initial Training.** Your Required Trainees must personally attend and satisfactorily complete our Initial Training at least 30 days before the earlier of the date you open the Studio or the Opening Deadline (or by such earlier deadline that we specify). We will determine the length, timing, location, and substance of Initial Training in our sole discretion. We will provide Initial Training as soon as practicable after the execution and delivery of the Franchise Agreement at our offices, at any other location that we designate, and/or remotely via recorded media, teleconference, videoconference, the internet, webinar, or any other means as we determine.

Currently, we conduct Initial Training as often as needed to train new franchisees; there is no set frequency for Initial Training. We may periodically identify certain limited time periods during which we will not offer Initial Training.

Currently, we provide three days of in-person training at our office and approximately two days of virtual training through online modules. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training or have previously been trained at one of our Studios.

Currently, we will provide instructors, facilities, and materials for Initial Training for your Required Trainees as part of the Franchise Fee, as long as all of your trainees are trained during the same training session. We reserve the right, however, to charge a training fee of up to \$1,000 (currently, \$500) per trainee per day for (a) your initial Designated Manager, and (b) each person who attends a subsequent Initial Training program, including (i) each person who is repeating the course or replacing a person who did not pass, and (ii) each subsequent Operating Principal, Designated Manager, or employee who attends the course. In addition, if we elect, in our discretion to provide Initial Training to your Required Trainees at your Studio, you must pay us a training fee of up to \$1,000 (currently, \$500) per trainer per day.

If your Required Trainees are unable to successfully complete, in our sole discretion, Initial Training for any reason, your Required Trainees must repeat Initial Training or you must send replacement Required Trainees to complete Initial Training. Your Required Trainees must successfully complete Initial Training at least 30 days before the earlier of the actual opening date or the Opening Deadline (or by such earlier deadline that we specify). We will not refund any initial franchise fees paid by you. If you and your personnel satisfactorily complete our Initial Training, and you do not expressly inform us at the end of Initial Training that you feel that you or they have not been adequately trained, you and they will be considered to have been trained sufficiently to operate a Studio.

You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages, and other expenses incurred by your trainees. You are responsible for reimbursing us for any travel and living expenses incurred by our employees or agents related to providing any additional training, remedial training, or consulting services at your Studio.

Our Initial Training currently consists of the following:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Studio Marketing, Sales, Operations, and Finance	15	0	Online
The Pilates Addiction Approach	1	0	Currently, our headquarters in Newport Beach, California, but we may elect, in our discretion, to provide this training at your Studio
Real Estate	1	0	
Construction, Development, Vendor Support	2	0	
Pilates Additional University and Teacher Onboarding	5	0	
Retail and Merchandising	1.5	0	
Marketing	4	0	
Sales and Operations	4	0	
Finance	1	0	
Training Recap / Test Out	1	0	
In-Studio Practice, Observation, and Supervised Instruction	0	60	A Studio that we designate
<b>TOTALS:</b>	<b>35.5</b>	<b>60</b>	

Only your Designated Manager is required to complete that portion of Initial Training described in the table below:

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Studio Management	4	0	Online
Sales and Marketing	5	0	
Retail	1	0	
Operations	5	0	
Sales Role Play and Agreements	6	0	
<b>TOTALS:</b>	<b>21</b>	<b>0</b>	

Upon completion of this portion of Initial Training, your Designated Manager must take and pass a comprehensive exam.



Our Master Educator Trainer, Liza Beres, will supervise Initial Training and our other training programs. Ms. Beres has over nine years of Pilates training experience and has been with us (or Predecessor) since 2020. Other executives with subject matter expertise will participate in portions of Initial Training. The Manuals (once completed), PowerPoints, and various training guides and materials serve as instructional materials.

**Instructor Onboarding.** In addition to satisfying our eligibility criteria, as stated in our Manuals, each individual that will be providing Pilates instruction at the Studio must attend and successfully complete Instructor Onboarding before providing any Pilates instruction at the Studio. (If an instructor has already completed Instructor Onboarding in connection with another Studio, the instructor is not required to retake the program.) Instructor Onboarding comprises a three-day intensive in-person training program at a Studio that we designate (which may be outside of your market and require your instructor candidates to travel) and 135 hours of online instruction. Instructor Onboarding is not a substitute for a formal Pilates certification program (which each of your instructors must also attend and successfully complete), nor is it intended to fill training gaps for Pilates instructors who do not meet our comprehensive education standards, as stated in our Manuals. Instructor Onboarding includes instructional videos, online coursework, and an online training manual specifically developed for this purpose. To complete Instructor Onboarding, an instructor must submit to our team a video demonstrating key instruction and coaching skills. Our team will review the video and provide feedback. Satisfactory completion of this review is required to finalize the instructor's onboarding process. Instructor Onboarding typically takes three months to complete, but it depends on the instructor's pace in moving through the materials.

We currently charge an Instructor Onboarding Fee of \$4,000 for each Pilates instructor attending Instructor Onboarding. We anticipate that certain of your Pilates instructors may require additional practice time, coaching, or follow-up instruction, depending on comprehension and readiness, the estimated cost of which is an additional \$1,000 per instructor, which includes instructor wages. You also are responsible for the travel and living expenses of your instructors while attending Instructor Onboarding. In addition, if we, at your request, conduct the in-person portion Instructor Onboarding at your Studio, you must us an additional training fee of \$1,000 per trainer per day and reimburse us for the travel and living expenses of our trainers.

**Additional Training.** We may periodically conduct mandatory or optional training programs for your Required Trainees and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend (other than the Pilates certificate training program that your instructors must complete from third parties and the Initial Training and Instructor Onboarding discussed above) but we may charge you a reasonable fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in up to five days of refresher or advanced training each year.

If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Studio to retrain Studio employees and restore service levels and/or require you or your employees to repeat Initial Training or attend additional training programs at a location that we designate. We may charge a fee of up to \$1,000 per trainer per day, plus their travel and living expenses, for each trainer assigned to your Studio and any remedial training.

If your Designated Manager ceases to be employed by you at the Studio and you are unable to immediately appoint and train a new manager, we may, in our sole discretion and for a reasonable fee, provide a Designated Manager to work at your Studio temporarily until a new Designated Manager is appointed and trained. In such instances, you will pay us the Management Fee.

**Training by You.** Your Required Trainees are responsible for training all of your other employees (and subsequent Designated Managers) in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards, we may prohibit you from training additional employees and either require them to attend training at our headquarters (for which you must pay us a training fee of up to \$1,000 (currently, \$500) per trainee per day) or pay for our costs and expenses to send one of our representatives to train them at your Studio.

**Delegation.** We may delegate the performance of any or all of our obligations under the Franchise Agreement, and our right to exercise any of our rights under the Franchise Agreement, to one of an affiliate, manager, agent, independent contractor, or other third party. We will, however, remain responsible for ensuring that those obligations are performed in compliance with the terms of the Franchise Agreement.

## ITEM 12 TERRITORY

### Franchise Agreement

**Site.** Your franchise is for the specific Site that we approve. You must select a site that we have accepted within the non-exclusive Site Selection Area that we specify. 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. The site will be added to the Franchise Agreement once we accept it and you secure it.

**Limited Territorial Protection.** Once you have selected, and we have accepted, a Site in the Site Selection Area, and you have secured the Site, we will provide you an area in which you will have protected rights (the “**Territory**”). The size of your Territory may vary from the territory granted to other franchisees based on the location and demographics surrounding your Studio. Typically, the territory will be a geographic area encompassing (i) a population of approximately 50,000 people surrounding the applicable Studio or (ii) a two-mile radius from the front door of the Studio, whichever includes fewer people. However, in very high-density urban markets having a population above one million people, we might not provide any territory at all or might reduce the territory to no more than a city block. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

You will not receive an exclusive territory. You may face competition from other franchisees, outlets that we own, or other channels of distribution or competitive brands that we control.

Except as described below and for Non-Traditional Locations (defined below), we and our affiliates will not open, or license a third party to open, a Studio within your Territory. Except as stated in the preceding sentence, we and our affiliates have the right to conduct any business activities, under any name, in any geographic area, at any location, regardless of the proximity to or effect on your Studio. For example, we and our affiliates have the right to:

(1) establish, or license others to operate, Studios or Sessions operating under the Marks and System at Non-Traditional Locations anywhere, including inside and outside the Territory. A “**Non-Traditional Location**” is a site that is located within a larger venue or facility that is likely to draw at least 75% of its customers from people who use such larger facility, including big box gyms and fitness facilities, cruise ships, military bases, college campuses, airports, sports or entertainment venues, hotels or resorts, theme parks, industrial or office complexes, train stations and other transportation facilities, travel plazas, casinos, hospitals, multi-unit residential properties, and other similar captive market locations;

(2) establish, or license others to establish, studios or businesses offering similar or identical products, services, classes, and programs and using the System or elements of the System (i) under the Marks anywhere outside of the Territory, or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Territory;

(3) sell or offer, or license others to sell or offer, any products, services, or Sessions using the Marks or other marks through any alternative distribution channels, including through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;

(4) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory; and

(5) acquire, be acquired by, or merge with other companies with existing studios or businesses anywhere (including inside or outside of the Territory) and, even if such businesses are located in the Territory, (i) convert the other businesses to the Brand, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Studios to such other name.

Currently, we anticipate offering on-demand subscriptions, retail products, and teacher training programs under the Marks or other marks, but we and our affiliates reserve the right to conduct any of the aforementioned activities.

As long as you are in compliance with the Franchise Agreement, your exclusive rights in the Territory will not be modified for any reason, except by mutual written agreement signed by both parties.

We will not compensate you for any of our activities in your Territory, even if they have an impact on your Studio.

**Minimum Sales Levels.** During the Term, you must achieve the following minimum sales levels (the “**Minimum Sales Levels**”): (A) average monthly Gross Sales of at least \$30,000 in the first full calendar year after the Opening Date; and (B) average monthly Gross Sales of at least \$40,000 in the second and each subsequent full calendar year after the Opening Date. If you fail to meet the Minimum Sales Levels in any calendar year, you must create a business plan that we must approve in writing and you must diligently implement the business plan during the next calendar year. If you fail to meet the Minimum Sales Levels for two consecutive years, such failure shall be an Event of Default, in which case, we may reduce the size of your Territory, terminate the Franchise Agreement, or exercise other remedies outlined in the Franchise Agreement.

**Relocation of the Studio.** If you would like to relocate your Studio, you must receive our written consent. Our approval will not be unreasonably withheld, provided (a) the new location for the Studio is satisfactory to us and complies with our then-current requirements, (b) your lease, if any, for the new location complies with our then-current requirements, and you and your landlord execute the Lease Rider, (c) you comply with our then-current requirements for constructing and furnishing the new location, (d) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Sales of any other Studio, (e) you have fully performed and complied with each provision of the Franchise Agreement within the last three years prior to, and as of, the date we consent to such relocation (the “**Relocation Request Date**”), (f) you are not in default, and no event exists, which, with the giving of notice and/or passage of time, would constitute a default, as of the Relocation Request Date, and (g) you have met all of our then-current training requirements. If you lose your lease, you must secure our approval of another site and enter into a lease for the new approved site within 90 days after you lose your site lease. You must pay us a relocation fee as specified in Item 6, whether or not your new proposed site is approved.

**Restriction on Rights.** Unless you sign a Development Agreement (described below), you do not have the right to open additional Studios, nor do you have any rights of first refusal on any other location. You do not have the right to use the Marks or the System at any location other than the Site or in any wholesale, e-commerce, or other channel of distribution besides the retail operation of the Studio at the Site. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. There are no territorial restrictions from accepting business from customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement additional rules and restrictions regarding soliciting such customers in the future in our Manuals.

### **Development Agreement**

**Development Area.** You may (if you qualify) develop and operate a number of Studios within a specific territory (the “**Development Area**”). We and you will identify the Development Area in the Development Agreement before signing it. The Development Area typically is a city, cities, counties, or specific zip codes and will be narratively described in, and pictorially identified on a map attached to, the Development Agreement. We base the Development Area’s size primarily on the number of Studios that you commit to develop, demographics, distinct market areas within the Development Area, competitive businesses, and site availability. We will determine the number of Studios that you must develop, and the deadlines for development, to keep your development rights. We and you will complete the Development Schedule in the Development Agreement before signing it. Each site you propose for a Studio to be developed under the Development Agreement must be acceptable to us. After each proposed site is accepted and secured, we will determine the Territory for that Studio. Our then-current standards for sites and Territories will apply. We have the right to terminate the Development Agreement if you do not satisfy your development obligations. You may not develop or operate Studios outside the Development Area.

**Limited Territorial Protection.** You will not receive an exclusive territory under the Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. If you (and your Affiliated Entities, as applicable) are fully complying with your (and their) obligations under the Development Agreement, the initial franchise agreement executed thereunder, and all other franchise agreements then in effect between us and you (and your Affiliated Entities, as

applicable), during the term of the Development Agreement, we (and our affiliates) will not—except with respect to Studios proposed to be located at or within “Non-Traditional Locations”—establish or operate, or license third parties to establish or operate, Studios that have their physical locations within the Development Area. There are no other restrictions on our and our affiliates’ activities in the Development Area during the term of the Development Agreement. We (and our affiliates) reserve the right without any restrictions whatsoever to pursue and establish, or franchise or license others to pursue and establish, Studios to be located at or within Non-Traditional Locations having their physical locations within the Development Area.

The location exclusivity described in the preceding paragraph (with the noted exception for Non-Traditional Locations) is the only restriction on our (and our affiliates’) activities within the Development Area during the term of the Development Agreement. We and our affiliates have the right to engage, and license third parties to engage, in any other activities of any nature whatsoever within and throughout the Development Area, including, without limitation, the types of activities in which we and our affiliates reserve the right to engage (in a Studio’s Territory) under Section 1.3 of the Franchise Agreement, as described above in this Item 12 under “Franchise Agreement - Limited Territorial Protection.”

If any event of default occurs under the Development Agreement, in lieu of termination, we may at our option, and in our discretion, unilaterally modify the Development Area and/or modify the Development Schedule to decrease the number of Studios required to be developed under the Development Agreement by written notice to you, effective immediately upon receipt of our written notice to you. If we reduce your Development Area or your Development Schedule due to an event of default, we will not be obligated to refund any portion of the Development Fee to you.

Except as described above, (a) continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency, and you have no other options, rights of first refusal, or similar rights to acquire additional franchises; and (b) we do not have the right to alter your Development Area during the term of the Development Agreement.

### **Other Businesses**

Except as described in Item 1, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our franchisees sell. However, our affiliates, including the affiliates with franchise programs described in Item 1, may operate and/or franchise businesses that sell similar goods or services to those that our franchisees sell. Item 1 identifies our affiliates that currently offer franchises and their principal business addresses and describes those franchise programs, the goods and services that those programs offer, whether the businesses are franchised and/or company-owned, and their trademarks. These other brands share, and future affiliated brands may share, offices and training facilities with us. These affiliated franchise programs are not direct competitors of our franchise network given the products or services they sell, as described in Item 1. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers near your business. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates’ franchisees regarding territory, customers and support, and we have no obligation to resolve any perceived conflicts that might arise.




## ITEM 13 TRADEMARKS

We grant you the right to operate a Studio under the Brand mark, and other trademarks, service marks, associated designs, artwork, and logos that we specify from time to time. We may require you to use the Marks in conjunction with other words or symbols or in an abbreviated form.

We have registered the following Mark with the Principal Register of the United States Patent and Trademark Office (“USPTO”) and have filed all required affidavits and renewals with respect to the Mark:

Mark	Application No.	Application Date
WUNDAFORMER	4,232,312	October 30, 2012;

We have filed applications to register the following Marks on the Principal Register of the USPTO:

Mark	Application No.	Application Date
	99,148,928	April 22, 2025
	99,148,931	April 22, 2025
	99,148,935	April 22, 2025
PILATES ADDICTION	99,148,923	April 22, 2025

At this time, we do not have a registration for the Marks in the table above. Therefore, these Marks do not have many of the legal benefits and rights as a federally-registered trademark. If your right to use these Marks is challenged, you may have to change to an alternative trademark, which will increase your expenses.

There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving any of the Marks. We do not know of any superior prior rights or infringing uses that could materially affect your use of any of the Marks. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed above in a manner material to the franchise.

You may also use certain other Marks owned by or licensed to us in the operation of your Studio. You must use the Marks only in strict accordance with the Franchise Agreement and Manuals. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. You must display the Marks in a manner that we specify on signage at the Studio and on all written materials, forms, advertising, promotional materials,

supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate. Upon receipt of notice from us, you must discontinue, alter or substitute any of the Marks as we direct.

You must display in a conspicuous location in or upon the Studio, or in a manner that we specify, a sign containing a notice that the Studio is owned and operated independently by you who is an authorized licensed user of the Marks, using language that we designate. You must include this notice or other similar language that we specify on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary, and other written materials we designate.

You must promptly notify us if any other person or Entity attempts to use any of the Marks or any colorable imitation of any of the Marks. You must immediately notify us of any infringement of or challenge to your use of any of the Marks. We will have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Marks or to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks. We will have the right to control any administrative proceeding or litigation related to the Marks. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Marks.

If we decide that you should modify or discontinue using any of the Marks, or use one or more additional or substitute service marks or trademarks, you must comply with our directions in the time that we reasonably specify, and neither we nor any of its affiliates will have any obligation to reimburse you for the cost of complying with our directions.

The Development Agreement does not grant you the right to use the Marks. These rights arise only under Franchise Agreements you sign with us.

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

We own U.S. Patent No. 8,602,953 B2 (Reformer Apparatus Having Integral Ergonomic Purchase Translatable Into Deployed and Stowed Positions), which is a utility patent dated December 10, 2013 for the equipment that we refer to as the WundaFormer, which you must use in your Studio. We otherwise do not have any rights in, or any licenses to, any patents or patent applications.

Except as provided below, we own no rights in, or licenses to, any copyrights. We have not registered any copyrights with the United States Copyright Office. However, we claim copyrights with respect to our advertising materials and Manuals, as well as other materials we may periodically develop. There are no determinations of the Copyright Office or any court regarding any of our copyrights. There are no agreements limiting the use of any copyrights by us.

Any copyrights used by you in the Studio belong solely to us or our affiliates. You agree to notify us in writing of any suspected infringement of our or our affiliates' copyrights. We and our affiliates have exclusive rights to bring an action for infringement and retain any amounts recovered with respect to such action, and to control any infringement proceeding whether

brought by or against us or you. We have no obligation to defend or otherwise protect you against any claims involving any copyright, including without limitation any copyright infringement claim, or to indemnify you for any losses you may incur as a result of our copyrights infringing the rights of any other copyright owner. If so requested by us, you will discontinue the use of the subject matter covered by any copyright used in connection with the Studio.

During the term of your Franchise Agreement, we or our affiliates may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, the businesses of our franchisees, our vendor relationships, our Sessions, or the construction, management, operation, or promotion of the Studio (collectively, “**Proprietary Information**”). You may not, nor may you permit any person or Entity to, use or disclose any Proprietary Information (including any portion of the Manuals) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Studio. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. If we or our affiliates so request, you must obtain from your officers, directors, Owners, Designated Managers, and employees confidentiality agreements in a form satisfactory to us or our affiliates. You will be responsible for any unauthorized disclosure of Proprietary Information by any person to whom you have disclosed Proprietary Information.

The Development Agreement does not grant you rights to use any intellectual property. These rights arise only under Franchise Agreements you sign with us.

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

At all times that your Studio is open for business, it must be under the personal, on-premises supervision of a Required Trainee. Your Required Trainees must successfully complete our training program and any other training programs that we may require. You may not permit your Studio to be operated, managed, directed, or controlled by any other person without our written consent.

Your Operating Principal must have at least a 10% ownership interest in your Entity and must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. In addition, you must appoint a Designated Manager to manage the day-to-day business of your Studio, who may also be the Operating Principal. The Designated Manager is not required to have an ownership interest in your Entity. You must provide us with written notice of your Operating Principal and Designated Manager at least 60 days prior to opening and may not change your Operating Principal and Designated Manager without our prior approval.

We may also require you to obtain from your officers, directors, Designated Managers, instructors, your Owner's spouses (to the extent that they are not required to sign the Guarantee (as defined below)), and other individuals that we may designate executed agreements containing nondisclosure and noncompete covenants in a form acceptable to us, such as the form attached as **Exhibit H**, which specifically identify us as having the independent right to enforce them.

If you are an Entity, each Owner, including the Operating Principal, and his/her spouse (as applicable) must sign the Payment and Performance Guarantee (the “**Guarantee**”) attached



to the Franchise Agreement, assuming and agreeing to discharge all obligations of the franchisee under the Franchise Agreement and agreeing to comply with the confidentiality, indemnification, covenant not to compete, and assignment provisions of the Franchise Agreement. If you are a party to a Development Agreement, each individual or Entity that has a legal and/or beneficial interest in you must sign the Payment and Performance Guarantee attached to the Development Agreement.

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

You may offer for sale in the Studio only the products, services, and Sessions that we have approved in writing. In addition, you must offer the specific products, services, and Sessions that we require in the Manuals or otherwise in writing. We may designate specific products, services, and Sessions as optional or mandatory. You must offer all products, services, and Sessions that we designate as mandatory. You may sell products only in the varieties, forms, and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

We may, without limitation, change the types, amounts, or specifications of the goods, services, or Sessions that you may offer. We may, without limitation and in our sole discretion, revoke approval of a previously-approved product, service, or Sessions that you have been selling, in which case, you must immediately discontinue offering the service or Sessions and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

We impose no restriction on the retail customers that you may serve at your Studio, but you may not make any sales of products or services outside of the Studio, conduct Sessions or programs outside of the Studio, or use vendor relationships that you establish through your association with us or the Brand for any other purpose besides the operation of the Studio, unless we consent in writing. You agree to purchase products solely for resale to retail customers, and not for resale or redistribution to any other party, including other franchisees in our network. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. While there are no territorial restrictions from accepting business from customers that reside or work or are otherwise based outside of your Territory if these customers contact you, we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

You must ensure that all customers participating in Sessions register and reserve spaces through the Technology, make payments through the Technology System, and sign a waiver in a form that we prescribe or approve.

You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise.

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

### THE FRANCHISE RELATIONSHIP

The table below lists certain important provisions of the Franchise Agreement. You should read these provisions in the form of Franchise Agreement attached to this Disclosure Document as Exhibit A.

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Sections 2.1 and 2.3	Begins on the effective date of your Franchise Agreement and continues for 10 years from the date you open your Studio for business. If you continue operating after expiration, we may treat the term as extended on a month-to-month basis until either we or you deliver notice ending that extension, in which case that interim period will terminate 30 days after the other party's receipt of the notice to terminate the interim period.
b.	Renewal or extension of the term	Section 2.2	If you meet the conditions, you may obtain two additional consecutive successor terms of five years each.
c.	Requirements for franchisee to renew or extend	Section 2.2	You have notified us of your intent to renew at least six months in advance but no more than 12 months in advance; you and your Owners (as applicable) have signed and returned to us the successor franchise agreement, owner's guaranty, and ancillary agreements (modified as we consider necessary to reflect changes that we consider appropriate for the successor term), which may have materially different terms and conditions than your original Franchise Agreement; you have refurbished or renovated the Studio to our then-current specifications; you and your Owners have executed a general release in favor of us and our affiliates; you have completed, and have had your Operating Principal and Designated Manager complete, our then-current training requirements; you have secured from your landlord the right to continue operating at the Site for the remainder of the successor term; you, your Owners, and your affiliates (the (" <b>Franchisee Parties</b> ") have fully complied with the Franchise Agreement and all other agreements between any Franchisee Party and us, our affiliates, and/or our approved vendors related to the Studio or any other Studios (each, a " <b>Related Agreement</b> "); at the time you provide notice of your intent to enter into a successor term and at the expiration of the then-current term of the Franchise Agreement, the Franchisee Parties are in full compliance with all Related Agreements; and you have paid us the Successor Fee.
d.	Termination by franchisee	Section 14.3	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.

	Provision	Section in Franchise Agreement	Summary
e.	Termination by us without cause	Not applicable	None.
f.	Termination by us with cause	Section 14.2	<p>We can terminate only if you default under the Franchise Agreement (see (g) and (h) below).</p> <p>While termination of the Development Agreement does not impact any then-effective franchise agreements, termination of a franchise agreement entitles us to terminate the Development Agreement.</p>
g.	"Cause" defined – curable defaults	Section 14.1	<p>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, except as described in (h) below.</p> <p>While termination of the Development Agreement does not impact any then-effective franchise agreements, termination of a franchise agreement entitles us to terminate the Development Agreement.</p>
h.	"Cause" defined – non-curable defaults	Section 14.1	<p>You or any Owner make or have made any material misrepresentation to us; your Required Trainees fail to satisfactorily complete initial training at least 30 days before the earlier of the actual opening date or the Opening Deadline (or by such earlier deadline that we specify); you fail to secure a site by the Site Acquisition Deadline; you fail to open the Studio by the Opening Deadline; you fail to renovate the Studio and the Site in a timely manner; you fail to maintain possession of the Site and fail to enter into a lease for a new accepted site within 90 days after termination of the Site lease; you voluntarily suspend operations of the Studio for more than three days without our prior written consent; you fail to communicate with us; you fail to meet Minimum Sales Levels for two consecutive calendar years; you, your Operating Principal, your Designated Managers, or any of your representatives that we designate miss two or more required meetings; you, any Owner, or any of your officers or directors are convicted or plead nolo contendere to a crime involving moral turpitude or consumer fraud or any other crime or offense or engages in any activities that impairs the goodwill associated with the Marks; you or any Owner misuses the Marks, engages in any business under a name that is confusingly similar to any Mark, or otherwise materially impairs the goodwill associated with the Marks or our right in any of the Intellectual Property; you disclose Proprietary Information; you or your Owners make an</p>

	Provision	Section in Franchise Agreement	Summary
			<p>improper transfer; you or any Owner violates the noncompete covenants of the Franchise Agreement; you or any parent becomes insolvent or bankrupt; you or any parent admits in writing your or their insolvency or inability to pay your or their debts generally as they become due; 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 Sales by more than 2% twice in a two-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; any Franchisee Party defaults under any Related Agreement if such default would permit the other party to terminate that agreement; any Franchisee Party is in default three or more times within any 18-month period; or you fail to meet the required minimum number of pre-opening members and/or paid membership sales (at least 200 members and/or memberships that will generate at least \$25,000 in recurring monthly Gross Sales), with the intent and effect that such pre-sold memberships will commence immediately on the Studio's opening date.</p> <p>While termination of the Development Agreement does not impact any then-effective franchise agreements, termination of a franchise agreement entitles us to terminate the Development Agreement.</p>
i.	Franchisee's obligations on termination/non-renewal	Section 15	<p>Pay all amounts due to us, our affiliates, and approved suppliers; if the Franchise Agreement is terminated after the Studio opens, pay us liquidated damages; discontinue use of the Marks and the Intellectual Property; return Proprietary Information (including customer data and Manuals), materials bearing the Marks, and all other materials relating to the operation of the Studio and erase digital copies of Proprietary Information, any proprietary software, and those other materials; 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; refund customers for all unused prepaid Sessions; refrain from disclosing Proprietary Information; and comply with noncompete and non-disparagement covenants (also see (o) and (r) below).</p>
j.	Assignment of contract by us	Section 13.1	No restriction on our right to assign.
k.	"Transfer" by franchisee – definition	Section 13.2	Includes transfer of any interest in the Franchise Agreement, the Studio, all or substantially all of the assets related to the Studio, or you (if you are an Entity).

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
i.	Our approval of transfer by franchisee	Section 13.3	We have the right to approve all transfers, except for your grant of a security interest in the Site (if owned by you), the Studio, or any Operating Asset to a party providing financing for your acquisition, development, and/or operation of the Studio.
m.	Conditions for our approval of transfer	Sections 13.4 and 13.5	<p>For a Control Transfer, you pay us pay us the Transfer Fee; all of your monetary obligations to us, our affiliates, and approved suppliers are satisfied; you and your affiliates are not in default of the Franchise Agreement or any Related Agreement; 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; proposed transferee agrees to discharge all of your obligations; proposed transferee qualifies, meets training requirements, and signs then-current franchise agreement; proposed transferee upgrades the Studio to our then-current specifications; new franchisee covenants to continue to operate the Studio under the Marks; proposed transferee's owners execute our then-current form of personal guarantee; we determine purchase price acceptable and financing arrangements are subordinate to our interests; and you and your Owners and the proposed transferee and its owners sign our current form of consent to transfer agreement, which states the conditions with which you must comply to secure our consent to the proposed transfer.</p> <p>For any Transfer that does not result in a Control Transfer, in addition to any other conditions that we reasonably specify, you and/or your transferee must satisfy the conditions above, except for the requirements to obtain your landlord's consent, complete training, sign a new franchise agreement, and renovate the Studio.</p>
n.	Our right of first refusal to acquire franchisee's business	Section 13.9	We can match any offer for your Studio, the Studio's assets, or any ownership interest, except for Transfers to an Entity under Section 13.7 of the Franchise Agreement (Permitted Transfers) or 13.8 (Transfer Upon Death, Incapacity, or Bankruptcy).
o.	Our option to purchase your business	Section 15.7	Upon termination of the Franchise Agreement (except by you pursuant to Section 14.3 (Termination by You) or expiration of the Franchise Agreement (without you and we signing a successor franchise agreement), we may purchase any or all of the inventory, supplies, Operating Assets, and other assets used in the operation of your Studio for the fair market value of the assets for use in the operation of a non-franchised Competitive Business (as defined below) (and not a Studio), less any amounts then owing to us. If a

	Provision	Section in Franchise Agreement	Summary
			Franchisee Party owns the Site, we may elect to purchase the Site, or lease the Site, from that Franchisee Party. If the Site is leased from an unaffiliated lessor, you must, at our option, cause the applicable Franchisee Party to assign the lease to us or enter into a sublease with us on the same terms.
p.	Death or disability of franchisee	Section 13.8	Executor or representative must, within 120 days after death or appointment of a personal representative or trustee, dispose of the interest under the applicable terms of Section 13 of the Franchise Agreement, except no transfer fee will be payable in connection with that disposition.
q.	Non-competition covenants during the term	Section 12.1	You and your Owners may not: (A) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in (i) any gymnasium, studio, athletic or fitness center, health club, exercise, aerobics facility, or similar fitness or exercise facility or business, (ii) any business that offers Pilates-related training or products, services, or Sessions that are similar to those offered by a Studio, or (iii) any Entity that grants franchises or licenses for any of the businesses in (i) or (ii) (a “ <b>Competitive Business</b> ”) in the United States; (B) divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Business, by direct or indirect inducement or otherwise; (C) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (D) 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 Agreement is terminated or expires	Section 12.2	For two years after the expiration of termination of your Franchise Agreement, you and your Owners will be subject to the same restrictions stated in Item 17(q) above, except the restrictions stated in (A) and (B) of Item 17(q) will be geographically limited to any Competitive Business that is located within a 10-mile radius of your former Studio or any other Studio that is operating or under development at that time.
s.	Modification of the agreement	Section 17.2	Except for modifications to the Manuals, no modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 17.1	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises made outside of this Disclosure Document or the Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in this franchise disclosure document.

	Provision	Section in Franchise Agreement	Summary
u.	Dispute resolution by arbitration or mediation	Sections 16.2 and 16.3	<p>Prior to filing most proceedings, a party must submit the dispute to non-binding mediation.</p> <p>Except for disputes arising under the Lanham Act, disputes that otherwise relate to the validity or ownership of any of the Intellectual Property, disputes that involve enforcement of our intellectual property rights or protection of our Proprietary Information, and disputes related to payments of amounts that you owe to us or our affiliates, all disputes will be resolved by binding arbitration at the American Arbitration Associations' offices or other suitable office that we select in the metropolitan area in which our principal place of business is then located (currently, Newport Beach, California) (subject to state law).</p>
v.	Choice of forum	Section 16.3(d)	Subject to arbitration obligations, with limited exception, litigation is in the United States District Court for the district in which we have our principal place of business at the time of the filing (currently, Newport Beach, California) (or if, federal jurisdiction cannot be obtained, the state court in such city) (subject to state law).
w.	Choice of law	Section 16.1	Except for Federal Arbitration Act and other federal law, the laws of the State of Delaware apply to all claims (subject to state law).

### **DEVELOPMENT AGREEMENT**

The table below lists certain important provisions of the Development Agreement. You should read these provisions in the form of Development Agreement attached to this Disclosure Document as Exhibit B.

	Provision	Section in Development Agreement	Summary
a.	Length of the franchise term	Section 5	Unless earlier terminated, the term expires at midnight on the earlier of (i) the last Opening Deadline date listed on the Development Schedule, or (ii) the opening of the last Studio to be developed pursuant to the Development Schedule.
b.	Renewal or extension of the term	Not applicable	Not applicable.
c.	Requirements for franchisee to renew or extend	Not applicable	Not applicable.
d.	Termination by franchisee	Not applicable	Not applicable.

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	Section 6.1	We have the right to terminate Development Agreement if you commit one of several violations.
g.	"Cause" defined – curable defaults	None	Not applicable.
h.	"Cause" defined – non-curable defaults	Section 6.1	Non-curable defaults include you (or your Affiliated Entities) fail to timely execute a Franchise Agreement; you (or your Affiliated Entities) fail to have open and operating the required number of Studios specified in the Development Schedule at any deadline; you, your Owners, or your affiliates breach or commit a default under any Franchise Agreement or other agreement with us or our affiliates, and we or our affiliates terminate that agreement or have the right to terminate that agreement, even if we do not exercise that right; or you, your Owners, or your affiliates breach or otherwise fail to comply with any other provision in the Development Agreement.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional studios.
j.	Assignment of contract by us	Section 7.2	No restriction on our right to assign.
k.	"Transfer" by you – definition	Section 7.1	Includes transfer of the Development Agreement, any interest in the Development Agreement, or, if you are an Entity, any direct or indirect controlling equity interest in the Entity.
l.	Our approval of transfer by franchisee	Section 7.1	We have the right to approve or not approve all applicable transfers in our sole discretion.
m.	Conditions for our approval of transfer	Section 7.1	We may require you or the transferee to comply with any conditions that we specify, including payment of a transfer fee and execution of a general release.
n.	Our right of first refusal to acquire franchisee's business	Section 7.1	We have a right of first refusal with respect to the transfer of any interest in you or the Development Agreement, exercisable through the same procedure in the Franchise Agreement.
o.	Our option to purchase your business	Not applicable	Not applicable.
p.	Death or disability of franchisee	Not applicable	Not applicable.
q.	Non-competition covenants during the term	Section 8	Binds you and your Owners to the noncompete covenants included in Section 12 of the Franchise Agreement (described above in the Franchise Agreement chart).



	Provision	Section in Development Agreement	Summary
r.	Non-competition covenants after the Development Agreement is terminated or expires	Section 8	Binds you and your Owners to the noncompete covenants included in the Franchise Agreement (described above in the Franchise Agreement chart), except the post-term noncompete covenant applies to any Competitive Business that is located within a 10-mile radius of the Development Area or the location of any other Studio that is then operating or under development.
s.	Modification of the agreement	Section 10	No modifications unless agreed to in writing by both parties.
t.	Integration/merger clause	Section 12	Only the terms of the Development Agreement and the initial Franchise Agreement are binding (subject to state law). Any other promises outside this Disclosure Document, the Development Agreement, or the initial Franchise Agreement may not be enforceable. Nothing in the Development Agreement or in any other related written agreement is intended to disclaim representations made in this Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Section 10	Incorporates dispute resolution provisions from the Franchise Agreement. See Franchise Agreement chart above.
v.	Choice of forum	Section 10	Incorporates dispute resolution provisions from the Franchise Agreement. See Franchise Agreement chart above.
w.	Choice of law	Section 10	Incorporates governing law provision from the Franchise Agreement. See Franchise Agreement chart above.

## ITEM 18 PUBLIC FIGURES

We do not use any public figure to promote our franchise.

## 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.

This Item 19 presents information about the financial performance during the 2024 calendar year (January 1, 2024 through December 31, 2024) (the "**Reporting Period**") of Studios

that (a) had been open at least 12 months as of the start of Reporting Period and (b) were open throughout the entire Reporting Period (“**Covered Studios**”).

As of December 31, 2024, there were 11 Studios in operation, including two franchised Studios and nine Studios operated by Predecessor’s affiliates (which we have categorized as “**Affiliate-Owned Studios**”). In this Item 19, we have included data from all nine Covered Studios, including both franchised Studios and seven of the nine Affiliate-Owned Studios. One Affiliate-Owned Studio was excluded because it opened in 2024 and was not open for all of Reporting Period, and one Affiliate-Owned Studio was excluded because it opened in 2023 and had not been open 12 months as of the start of Reporting Period. No Studios permanently closed during Reporting Period.

Tables 1 and 2 present the total annual Gross Sales (also known as Annual Unit Volume or AUV) for each Covered Studio during the Reporting Period. In Table 1, the Covered Studios were then sorted in ascending order by annual Gross Sales and split into thirds. In Table 2, the Covered Studios were sorted into franchised Studios and Affiliate-Owned Studios. In both tables, for each subset, the average, median, highest, and lowest annual Gross Sales for the Covered Studios in each subset were then calculated and disclosed.

**TABLE 1: ANNUAL GROSS SALES  
FOR ALL COVERED STUDIOS  
DURING THE REPORTING PERIOD  
PRESENTED IN THIRDS**

	#	Average Annual Gross Sales	# Met or Surpassed Average	% Met or Surpassed Average	Highest Annual Gross Sales	Lowest Annual Gross Sales	Median Annual Gross Sales
Top Third	3	\$701,588	1	33%	\$990,489	\$474,892	\$639,382
Middle Third	3	\$435,033	1	33%	\$463,976	\$417,120	\$424,001
Bottom Third	3	\$305,425	2	67%	\$331,053	\$267,629	\$317,593
All Covered Studios	9	\$480,682	2	22%	\$990,489	\$267,629	\$424,001

**TABLE 2: ANNUAL GROSS SALES  
FOR ALL COVERED STUDIOS  
DURING THE REPORTING PERIOD  
PRESENTED BY STUDIO OWNERSHIP**

	#	Average Annual Gross Sales	# Met or Surpassed Average	% Met or Surpassed Average	Highest Annual Gross Sales	Lowest Annual Gross Sales	Median Annual Gross Sales
Franchised Studios	2	\$485,218	1	50%	\$639,382	\$331,053	\$485,218
Affiliate-Owned Studios	7	\$479,386	1	14%	\$990,489	\$267,629	\$424,001
All Covered Studios	9	\$480,682	2	22%	\$990,489	\$267,629	\$424,001

## NOTES TO ITEM 19:

1. **Some Studios have sold or earned this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.**
2. **"Gross Sales"** means all revenue that is received or otherwise derived from operating a Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when the Studio operator actually provides the products or services in exchange for the revenue. Gross Sales includes promotional allowances or rebates paid to the Studio operator in connection with your purchase of products or supplies or your referral of customers. Gross Sales does not include (i) any bona fide returns and credits that are actually provided to customers and (ii) any sales or other taxes that are collected from customers and pay directly to the appropriate taxing authority.
3. The Studios are substantially similar to the Studios that we are offering under this Disclosure Document, but the Studios operated under the WundaBar® brand throughout the Reporting Period, rather than the Pilates Addiction™ brand. As of the date of this Disclosure Document, we have not converted any Studios to the Brand and have not opened any Studios under the Brand. We do not know whether the Brand will have a positive, negative, or neutral impact on Studio performance.
4. These sales figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the Gross Sales figures to obtain your net income or profit.
5. We calculated the figures in the tables in these financial performance representations using financial reports submitted to Predecessor by franchisees and Predecessor's affiliates. No certified public accountant has audited these figures or expressed his or her opinion concerning their content or form.
6. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.
7. We encourage you to consult with your own accounting, business, and legal advisors to assist you to prepare your budgets and projections and to assess the likely or potential financial performance of your franchise. We also encourage you to contact existing franchisees to discuss their experiences with the system and their franchise business. Notwithstanding the information set forth in this financial performance representation, our existing franchisees are your best source of information about franchise operations.

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 our Chief Executive Officer, Sarah Luna, 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (Tel: 949-629-4333; email: [info@pilatesaddiction.com](mailto:info@pilatesaddiction.com)), the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20      OUTLETS AND FRANCHISEE INFORMATION**

Our fiscal year ends on December 31 of each year. As we acquired the Pilates Addiction™ franchise system in February 2025, Predecessor was the franchisor for fiscal years 2022, 2023, and 2024. In that period, Predecessor's affiliates owned and operated Studios, which we have categorized as "Affiliate-Owned Studios" in this Item 20. After our acquisition of the system, those Affiliate-Owned Studios became Franchised Studios operated under an arms-length agreement with us.

**Table No. 1**  
**Systemwide Studio Summary**  
**For years 2022 to 2024**

<b>Studio Type</b>	<b>Year</b>	<b>Studios at the Start of the Year</b>	<b>Studios at the End of the Year</b>	<b>Net Change</b>
Franchised	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
Affiliate-Owned	2022	7	7	0
	2023	7	8	+1
	2024	8	9	+1
<b>Total Studios</b>	<b>2022</b>	<b>9</b>	<b>9</b>	<b>0</b>
	<b>2023</b>	<b>9</b>	<b>10</b>	<b>+1</b>
	<b>2024</b>	<b>10</b>	<b>11</b>	<b>+1</b>

**Table No. 2**  
**Transfers of Studios from Franchisees to New Owners (other than to us)**  
**For years 2022 to 2024**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Total</b>	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>
	<b>2024</b>	<b>0</b>

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**Table No. 3**  
**Status of Franchised Studios**  
**For years 2022 to 2024**

State	Year	Studios at Start of Year	Studios Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations -Other Reasons	Studios at End of the Year
California	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
<b>Total</b>	<b>2022</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2023</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>
	<b>2024</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

**Table No. 4**  
**Status of Company-Owned Studios**  
**For years 2022 to 2024**

State	Year	Studios at Start of Year	Studios Opened	Studios Reacquired From Franchisee	Studios Closed	Studios Sold to Franchisee	Studios at End of the Year
California	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4
	2024	4	0	0	0	0	4
New Jersey	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
New York	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	1	0	0	0	3
Tennessee	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	0
	2024	1	0	0	0	0	1
<b>Totals</b>	<b>2022</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>
	<b>2023</b>	<b>7</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
	<b>2024</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>

**Table No. 5**  
**Projected Openings as of December 31, 2024**

State	Franchise Agreements Signed But Studio Not Opened	Projected New Franchised Studios in the Next Fiscal Year	Projected New Company-Owned Studios in the Next Fiscal Year
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Current and Former Franchisees.** Set forth on **Exhibit F** are: (i) the names of all current franchisees and the address and telephone number of each of their Studios, and (ii) the names, city and state, and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Studio terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement or Development Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document's issuance date.

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

**Confidentiality Agreements.** We have not signed confidentiality clauses with current or former franchisees. In some instances, current and former franchisees sign provisions restricting 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.

**Trademark-Specific Franchisee Organizations.** As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with our franchise system.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached as **Exhibit C** to this Disclosure Document is the audited balance sheet as of April 30, 2025, and the related statements of operations and member's equity, and cash flows for the period from April 8, 2025 (inception) through April 30, 2025 of our affiliate, Sequel Brands Holdings, LLC. Because Sequel Brands Holdings, LLC was organized in April 2025, it does not have available, and we cannot yet include, three full years of audited financial statements for Sequel Brands Holdings, LLC. Sequel Brands Holdings, LLC guarantees the performance of our obligations under the Franchise Agreement. A copy of Sequel Brands Holdings LLC's Guarantee of our obligations is also attached as **Exhibit C**.

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**ITEM 22      CONTRACTS**

The following agreements are attached as exhibits to this Disclosure Document:

Franchise Agreement	Exhibit A
Payment and Performance Guarantee	Appendix C to the Franchise Agreement
Lease Rider	Appendix D to the Franchise Agreement
Development Agreement	Exhibit B
General Release	Exhibit G
Nondisclosure and Noncompete Agreement	Exhibit H
State-Required Franchise Agreement Riders	Exhibit I
State-Required Development Agreement Riders	Exhibit I

**ITEM 23      RECEIPT**

Attached as the last two pages of this Disclosure Statement are copies of the Receipt which you will be required to sign. One signed copy of the Receipt must be returned to us, as provided on the Receipt.

**EXHIBIT A  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Franchise Agreement**

(attached)





**PILATES ADDICTION™**  
**FRANCHISE AGREEMENT**  
**between**  
**PILATES ADDICTION FRANCHISOR LLC**  
**and**

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**Studio Number:**  
**Studio City and State:**

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## PILATES ADDICTION™ FRANCHISE AGREEMENT

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth in Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Pilates Addiction Franchisor LLC, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified in Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth in Appendix A. In this Agreement, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

### RECITALS

**A.** We and our Affiliates (as defined in Recital D) have accumulated knowledge and experience in the personal fitness industry on the basis of which we have developed and will continue to develop a distinctive business format and set of specifications and operating procedures (collectively, the “**System**”) for the operation of Pilates studios that operate under the Pilates Addiction™ mark (“**Studios**”).

**B.** The distinguishing characteristics of the System include, but are not limited to, our Studio designs, layouts, and identification schemes (collectively, the “**Trade Dress**”); our specifications for equipment, inventory, and accessories; our website or series of websites for the Studios (the “**System Website**”); our relationships with vendors; our software and computer programs; our online booking system; our reservation procedures; the classes and training sessions (collectively, “**Sessions**”) that you offer to customers; any fitness programs and Sessions that we have developed and continue to develop; the accumulated experience reflected in our training program, operating procedures, customer service standards methods, and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (“**System Standards**”) set out in our operations manuals (“**Manuals**”) and otherwise in writing. We may change, improve, add to, and further develop the elements of the System from time to time.

**C.** We identify the Studios operating under the System by means of the Pilates Addiction™ mark and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos set forth in Appendix B (collectively, the “**Marks**”). We may designate for your use other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “Marks.” We refer to the Pilates Addiction™ brand as the “**Brand**.”

**D.** As used in this Agreement, “**Affiliate**” as used with respect to you or us, means any corporation, limited liability company, partnership, or other form of entity (“**Entity**”) directly or indirectly owned or controlled by, under common control with, or owning or controlling, you or us (as applicable). “**Parent**” refers to any Entity that directly or indirectly controls you. “**Owner**” refers to a person or Entity that has a legal or beneficial interest in you. For purposes of these definitions, “**control**” of a person means ownership or control of a majority of the voting ownership of the person or any combination of voting ownership and/or one or more agreements that together afford control of the management and policies of such person. We refer to you, your Owners, and/or your Affiliates individually or collectively as the “**Franchisee Parties**.”

**E.** If you are an Entity, all of your Owners are listed in Appendix A. If you are an Entity, the individual owner who you must appoint to have authority over all business decisions

related to your business and to have the power to bind you in all dealings with us will be referred to as your **“Operating Principal.”**

**F.** You desire to open and operate a Studio using the Marks and the System, and we are willing to grant to you a license to open and operate a Studio on the terms and conditions of this Agreement.

**NOW, THEREFORE,** for and in consideration of the foregoing promises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

## **Section 1      Rights Granted.**

1.1 Grant of Franchise. Upon the terms and conditions of this Agreement, we grant to you a non-exclusive license (the **“License”**) to operate one Studio using the Marks and the System. The Studio will be located at a site to be mutually agreed upon subsequent to the execution of this Agreement, pursuant to Section 4.1 (Site Selection) (the **“Site”**), within the area set forth in Appendix A (the **“Site Selection Area”**). You have no right to (i) sublicense the Marks or the System to any other person or Entity, (ii) use the Marks or the System at any location other than the Site, or (iii) to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution besides the operation of the Studio at the Site.

1.2 Acceptance of License. You hereby accept the License and agree to operate the Studio according to the provisions of this Agreement for the entire Term, as defined in Section 2.2 (Successor Term).

1.3 Limited Territorial Protection. Once you have selected and we have accepted a Site in the Site Selection Area in accordance with Section 4.1 (Site Selection), we will designate an area within the confines of the Site Selection Area as your protected territory (the **“Territory”**). You do not have any territorial protection in your Site Selection Area, unless and until we identify your Territory, as explained in Section 4.2 (Definition of the Territory). Except as provided in this Section 1.3 and for Non-Traditional Locations (as defined below), we and our Affiliates will not open, or license a third party to open, a Studio within your Territory. Except for the foregoing sentence, we and our Affiliates have the right to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Studio. For example, without limitation, we and our Affiliates have the right to:

(a) establish, or license others to operate, Studios or Sessions operating under the Marks and System at Non-Traditional Locations anywhere, including inside and outside the Territory. A **“Non-Traditional Location”** is a site that is located within a larger venue or facility that is likely to draw at least 75% of its customers from people who use such larger facility, including big box gyms and fitness facilities, cruise ships, military bases, college campuses, airports, sports or entertainment venues, hotels or resorts, theme parks, industrial or office complexes, train stations and other transportation facilities, travel plazas, casinos, hospitals, multi-unit residential properties, and other similar captive market locations;

(b) establish or license franchises and/or company-owned studios or businesses offering similar or identical products, services, Sessions, and programs and using the System or elements of the System (i) under the Marks anywhere outside of the Territory or (ii) under names, symbols, or marks other than the Marks anywhere, including inside and outside of the Territory;

(c) sell or offer, or license others to sell or offer, any products, services, or Sessions using the Marks or other marks through any alternative distribution channels, including through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;

(d) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory; and

(e) acquire, be acquired by, or merge with other companies with existing studios or businesses anywhere (including inside or outside of the Territory) and, even if such businesses are located in the Territory, (i) convert the other businesses to the Brand, (ii) permit the other businesses to continue to operate under another name, and/or (iii) permit the businesses to operate under another name and convert existing Studios to such other name.

1.4 Operating Principal and Designated Manager. If you are an Entity, you must appoint an individual owner as your Operating Principal who must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. In addition, you must appoint a manager to manage the day-to-day business of your Studio (the “**Designated Manager**”). Your Operating Principal may serve as your Designated Manager, unless we believe that he or she does not have sufficient experience or qualifications. Your Operating Principal must have at least a 10% ownership interest in your Entity, but your Designated Manager is not required to have an ownership interest in your Entity. Your Operating Principal and Designated Manager (if known at the time of signing) shall be listed in Appendix A. You must provide us with written notice of your Operating Principal and Designated Manager(s) at least 60 days prior to opening and may not change your Operating Principal and Designated Manager without our prior written approval.

#### 1.5 Ownership and Guarantee.

(a) Owners of Equity. If you are an Entity, each of your Owners and their spouses must execute the “Payment and Performance Guarantee” that is attached in Appendix C (the “**Guarantee**”). By executing the Guarantee, each Owner will be bound by the provisions contained in this Agreement, including without limitation the restrictions set forth in Section 12 (Noncompete Covenants). Further, a violation of any of the provisions of this Agreement, including the covenants contained in Section 12, by any Owner or Owner’s spouse will also constitute a violation by you of your obligations under this Agreement.

(b) Governing Documents. If you are (or Transfer this Agreement to) an Entity, upon our request, you agree to furnish us with a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records, including certificates of good standing from your state. The Owners may not enter into any shareholders’ agreement, management or operating agreement, voting trust, or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no transfer of any ownership interest may be made, except in accordance with Section 13 (Transfer and Assignment) of this Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.



## Section 2 Initial Term and Successor Term.

2.1 Initial Term. The initial term (the “**Initial Term**”) of the License begins on the Effective Date and ends ten years from the date that your Studio opens for business (the “**Opening Date**”), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

2.2 Successor Term. Upon the expiration of the Initial Term, if you (i) are not in default under this Agreement, (ii) have substantially complied with this Agreement throughout the Term, (iii) have timely paid all monies due to us or our Affiliates, and (iv) comply with this Section 2.2, you may, at your option, obtain two additional consecutive successor terms of five years each (each, a “**Successor Term**”). The Initial Term and Successor Terms are referred collectively in this Agreement as the “**Term**.” You may only exercise this right to obtain a Successor Term if:

(a) You give us written notice of your 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) You and your Owners (as applicable) executing and returning to us the successor Franchise Agreement, Owner’s Guarantee, and ancillary agreements we provide to you to govern your ownership and operation of the Studio during the Successor Term (the “**Successor Agreements**”), which you acknowledge may contain terms materially different than those contained in this Agreement, including (i) higher rates of Royalty Fees and Brand Fund Fees (as both are herein defined) and other fees and charges and (ii) a modified Territory. The Successor Agreements will be modified as we deem necessary and appropriate to reflect changes we deem appropriate for such Successor Term, including (a) that the Studio is a developed and operating business, (b) that you are paying a Successor Fee (as defined in Section 3.6 (Successor Fee)) in lieu of an initial franchise fee, (c) any changes to the description of the Territory (which may make it smaller or larger), as we deem appropriate to reflect changes in demographics, competitive positioning, and our territorial policies since the Studio was originally developed, and (d) that you will have no further renewal or extension rights;

(c) You refurbish or renovate the Studio, at your expense, to conform the decor, color schemes, storefront, signage, and presentation of the Marks to our then-current image and, if necessary, in our sole opinion, to update and replace the equipment, furniture, signage, and fixtures to meet our then-current specifications;

(d) You and your Owners execute a general release, in a form we prescribe, of any and all claims against us, our Affiliates, and our and their past, present, and future officers, directors, shareholders, and employees arising out of, or relating to, your Studio;

(e) You complete, and have your Operating Principal and Designated Manager complete, all of our then-current training requirements, including any additional training that we may require;

(f) You secure the right from your landlord to continue operating at the Site for the remainder of such Successor Term;

(g) The Franchisee Parties have fully complied with this Agreement and all other agreements between any of the Franchisee Parties, on one hand, and us, our

Affiliates, and/or our approved vendors, on the other hand, related to Studio or any other Studios (collectively, the “**Related Agreements**”), including having (a) timely paid all amounts due under such agreements and (b) not received more than three default notices under such agreements;

(h) At the time you provide written notice of your intent to enter into a Successor Term and at the expiration of the then-current term of this Agreement, the Franchisee Parties are in full compliance with all Related Agreements, including (i) operating all Studios in compliance with all System Standards (including all minimum quality, service, cleanliness, and/or health and safety standards) and (ii) being current (i.e., not delinquent) with respect to all fees or payments due; and

(i) You pay to us the Successor Fee (as defined in Section 3.6 (Successor Fee)).

2.3 Interim Period. If (i) we have not provided you with written notice that you will not be eligible to enter into a Successor Term, (ii) you and your Owners do not sign and return the Successor Agreements and comply with each of the provisions set forth in Section 2.2 (Successor Term) prior to the expiration of this Agreement, and (iii) you continue to operate the Studio and accept the benefits of this Agreement after the expiration of this Agreement, then, at our option, this Agreement may be treated either as (x) expired as of the date of the expiration of the Term, with you then operating without any authorization to do so, in violation of our rights; or (y) continued on a month-to-month basis (the “**Interim Period**”) until one party provides the other with written notice of such party’s intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after the other party’s receipt of the notice to terminate the Interim Period. The Interim Period shall be considered part of the Term. However, if you enter into a Successor Term, the Successor Term will be deemed to have begun upon expiration of the expired term, rather than the Interim Period. If we allow for an Interim Period, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired and all obligations and restrictions imposed on you upon expiration of this Agreement shall be deemed to take effect upon termination of the Interim Period. However, beginning on the 30<sup>th</sup> day of the Interim Period, the monthly Royalty Fee (as defined in Section 3.2 (Royalty Fee)) shall increase to 10% of your Studio’s Gross Sales (as defined in Section 3.2(b) (Gross Sales)) during each week that you fail to enter into a Successor Term until (A) you comply with the conditions necessary to acquire a Successor Term (including execution of the Successor Agreements and a general release and payment of the Successor Fee) or (B) this Agreement is terminated. By accepting any increased Royalty Fees, we do not waive any of the rights and remedies under this Agreement, including the right to terminate this Agreement.

### **Section 3 Fees.**

3.1 Franchise Fee. You must pay us an initial franchise fee as set forth in Appendix A (the “**Franchise Fee**”) upon execution of this Agreement. The initial Franchise Fee is paid in consideration of the rights granted in Section 1 (Rights Granted) and will be deemed fully earned at the time paid. You acknowledge that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

#### **3.2 Royalty Fee.**

(a) Amount of Royalty Fee. You must pay us a weekly royalty fee (the “**Royalty Fee**”) equal to 8% of your Gross Sales (as defined in Section 3.2(b)) for the previous week. The Royalty Fee is non-refundable and is paid in consideration of the ongoing right to use

the Marks and the System in accordance with this Agreement and not in exchange for services rendered by us.

(b) Gross Sales. “**Gross Sales**” means all revenue that you receive or otherwise derive from operating the Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at the Studio, there shall be added to Gross Sales an amount equal to the imputed Gross Sales that the insurer used to calculate those proceeds. Gross Sales includes promotional allowances or rebates paid to you in connection with your purchase of products or supplies or your referral of customers. Gross Sales does not include (i) any bona fide returns and credits that are actually provided to customers and (ii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.

3.3 Brand Fund Fee. You must contribute weekly an amount that we specify from time to time in our sole discretion, which will not exceed 4% of your Gross Sales (the “**Brand Fund Fee**”) to a fund dedicated to activities we believe would benefit the Brand or the Studios generally (the “**Brand Fund**”).

3.4 Technology Fee. Beginning three months prior to the opening of your Studio, you must pay to us, or a third party that we designate, a technology fee for various technology services that we will provide or arrange for third parties to provide, which services are subject to change over time (a “**Technology Fee**”). The Technology Fee as of the Effective Date is set forth in Appendix A. We reserve the right to change the fee by providing you with written notice of any change at least 30 days prior to the implementation of the new fee amount, provided that the Technology Fee will not exceed the greater of \$1,200 per month or 2% of your Gross Sales. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee.

3.5 Initial FF&E Payment. You must pay us an initial FF&E payment as set forth in Appendix A (the “**Initial FF&E Payment**”) prior to opening your Studio and as we specify, which you may finance through third parties. The Initial FF&E Payment is paid in consideration of an initial package of furniture, fixtures, and equipment that we will supply to you. We will specify the items in your initial FF&E package. You may be required to purchase additional products or equipment from us, our Affiliates, or our designated vendors prior to opening your Studio for an additional fee. You acknowledge that we have no obligation to refund the Initial FF&E Payment, in whole or in part, for any reason.

3.6 Presale Kit Payment. You must pay us a presale kit payment as set forth in Appendix A (the “**Presale Kit Payment**”) prior to opening your Studio and as we specify. The Presale Kit Payment is paid in consideration of branded items that we will supply to you, such as such as a pop-up tent, event banners, and other promotional materials that we designate to support grassroots and community outreach events. We will specify the items in your presale kit. You may be required to purchase additional products or equipment from us, our Affiliates, or our designated vendors prior to opening your Studio for an additional fee. You acknowledge that we have no obligation to refund the Presale Kit Payment, in whole or in part, for any reason.

3.7 Initial Retail Inventory Kit Payment. You must pay us an initial retail inventory kit payment as set forth in Appendix A (the “**Initial Retail Inventory Kit Payment**”).

prior to opening your Studio and as we specify. The Initial Retail Inventory Kit Payment is paid in consideration of an initial inventory of retail inventory that we will supply to you, which typically includes branded apparel, as well as merchandise intended for promotional and early sales activities. We will specify the items in your initial retail inventory kit. You may be required to purchase additional products or equipment from us, our Affiliates, or our designated vendors prior to opening your Studio for an additional fee. You acknowledge that we have no obligation to refund the Initial Retail Inventory Kit Payment, in whole or in part, for any reason.

3.8 Successor Fee. Upon your execution of a successor franchise agreement pursuant to Section 2.2 (Successor Term), you will pay to us, instead of the franchise fee under such successor franchise agreement, a successor fee equal to 25% of such franchise fee (the **"Successor Fee"**).

3.9 Transfer Fee. If a Control Transfer (as defined in Section 13.2 (Definition of Transfer)) occurs, you must pay us a transfer fee equal to 25% of the then-current franchise fee for a new Studio (the **"Transfer Fee"**). For any other Transfer, the Transfer Fee shall be equal to \$5,000. You must pay us 50% of the Transfer Fee when you provide us with notice of the proposed Transfer (which will be refunded if the Transfer does not close, less our actual costs and expenses incurred related to the proposed Transfer), and you must pay us the remaining 50% of the Transfer Fee when the Transfer closes.

3.10 Relocation Fee. If you relocate your Studio from the Site to a new location, you will pay to us a relocation fee equal to \$5,000 (the **"Relocation Fee"**).

3.11 Training Fee. There is no charge for any of your Required Trainees (as defined in Section 5.1) to attend our initial training program, provided that they are all trained at the same time. If your representatives attend a subsequent initial training program, we may charge our then-current initial training fee (the **"Training Fee"**) for each representative that attends such training, which shall be no more than \$1,000 per day per trainee. You acknowledge that we have no obligation to refund the Training Fee, in whole or in part, for any reason.

3.12 Music Licensing Fee. You must pay to us or our Affiliates, or a third party that we designate, a music licensing fee for the right to play music and playlists in the Studio (the **"Music Licensing Fee"**). We may require you to pay the Music Licensing Fee directly to our approved supplier. If we or our Affiliates collect the fee, the Music Licensing Fee will be equal to the cost charged by the providers or music clearing houses to us or our Affiliates, plus an administrative fee of up to 5% of the fee charged to us or our Affiliates.

3.13 Management Fee. If we exercise our right to manage your Studio as specified in Sections 6.2(c) (Replacement Designated Manager), 13.8 (Transfer Upon Death, Incapacity, or Bankruptcy), or 14.2(b)(viii) (Other Remedies) or agree to manage your Studio at your request, you must pay us a management fee equal to 10% of your Gross Sales, plus our direct out-of-pocket costs related to such management (including the travel and living expenses of our representatives) (the **"Management Fee"**). The Management Fee is in addition to the other amounts due under this Agreement.

3.14 Non-Compliance Fee. If we determine that you have violated any of your obligations under this Agreement, including any failure to comply with any standards set forth in the Manuals, in addition to any other remedies we may be entitled to, we reserve the right to charge you one or more non-compliance fees (each, a **"Non-Compliance Fee"**) upon written notice to you. The Non-Compliance Fees (i) shall be specified in the Manuals or otherwise in

writing (provided that they may not exceed \$1,000 per single violation per day), (ii) may be modified from time to time upon written notice to you, (iii) may be charged repeatedly (as frequently as daily) if the non-compliance is ongoing, and (iv) may vary based on the severity of the defaults, the number of the defaults, and whether the defaults have been repeated.

3.15 Due Dates. Your Royalty Fees, Brand Fund Fees, Technology Fees, and Music Licensing Fees (the “**Operating Fees**”) are due to us and must be reported to us at the times and in the manner that we specify from time to time in the Manuals or otherwise. Currently, you must pay us your Royalty Fees and Brand Fund Fees weekly within five business days after the end of each calendar week, based on your Gross Sales for the preceding week, and must pay us your Technology Fee within five business days after the end of each month. All other fees and payments due to us must be paid to us within ten days of your receipt of an invoice from us.

3.16 Methods of Payment. You must make all payments to us by the method or methods that we specify from time to time in the Manuals, which may include payment via wire transfer or electronic debit to your bank account. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. We currently require you to make payment by electronic debit from your specified checking or savings account, and you must complete and sign an Authorization Agreement for Preauthorized Payments for this purpose. You must deliver a copy of such Authorization to us within five business days of our request. You must maintain sufficient funds in your account to permit us to withdraw the Operating Fees due from time to time. You may not, under any circumstances, set off, deduct or otherwise withhold any Operating Fees, interest charges, or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations or for any other reason. We may require you to purchase merchant processing services from us, our Affiliates, or a vendor that we have approved or designated, provided that if you purchase the services from us or our Affiliates, the fee will not exceed 115% of our and our Affiliates’ costs and expenses. The payment processor may process all credit card payments related to your Studio, and remit payment to you of all monies owed, after withholding any Operating Fees payable to us and any payment processing fees payable to such processor. If you fail to timely report your Gross Sales, or we are otherwise unable to access your Gross Sales, we may estimate the amount of fees due and make a corresponding withdrawal from your bank account based on our estimate, plus 20% of our estimate. If we underestimate any fees due, you will remain obligated to pay the total amount of fees due, which, if we institute an automatic debit program, we may debit from your account automatically. If we overestimate any fees due, we will credit the fees paid (without interest) against fees due in the next payment period after we receive accurate records regarding your Gross Sales.

3.17 Interest; Late Fee. If any payment due to us is not received in full by the due date, you agree to pay us daily interest on the amount owed, calculated from the due date until paid, at the rate of 18% per annum (or the maximum rate permitted by law, if less than 18%). You also agree to pay us a late fee in the amount of \$100 for each week that a payment is paid after the applicable due date. This late fee is subject to increase upon 60 days’ prior written notice, provided that it will not exceed \$250 per week. You acknowledge that this Section is not our agreement to accept any payments after they are due and that any late payments are a default under this Agreement.

3.18 Taxes. You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee, Brand Fund Fee, Training Fee, Technology Fee, or any other fees that we charge, you will pay to us the amount of any taxes imposed on us

or our Affiliates (and any taxes imposed on us or our Affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any such fees, not including any tax measured on our income.

#### **Section 4 Site Selection, Development, and Opening of Studio**

4.1 Site Selection. If you identify a site in the Site Selection Area on your own that is reasonably suited for the conduct of the Studio and is consistent with any site selection guidelines that we may provide, before entering into any lease or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and provide any other information that we reasonably require. We will review each site that we, our designated broker, or you identify and determine whether to accept it using our proprietary site selection assistance criteria. You acknowledge that we may refuse to accept a proposed site for any reason. If we accept the proposed site and you obtain it, we will insert a description of the specific location on Schedule 1 to Appendix A. **YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OR PROPOSAL OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR STUDIO. WHILE WE MAY PROVIDE ASSISTANCE AND GUIDANCE, IT IS SOLELY YOUR RESPONSIBILITY TO SELECT A SUITABLE SITE FOR THE STUDIO.** The address listed on Schedule 1, if completed and signed by us, will be the “Site” referred to in this Agreement. A site is not accepted until you have received our acceptance in writing, as indicated by our delivery of the completed and signed Schedule 1.

4.2 Definition of the Territory. Once the Site has been accepted, we will identify your Territory in Schedule 1 to Appendix A based on the factors that we deem relevant, in our sole discretion, which might include demographics, the character and location of the Site, and nearby businesses and residences. Once we have defined the Territory, you will have no territorial or other rights in those portions of the Site Selection Area that are outside the Territory. You must return to us upon our request a signed copy of Schedule 1 to Appendix A acknowledging the Territory we have designated.

4.3 Site Acquisition. Before you or an Affiliate make a binding commitment to purchase, lease, or sublease a site, we must accept the location in writing and 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 or your Affiliate leases the Site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Rider in the form of Appendix D (the “**Lease Rider**”) by you and your landlord in connection with any lease or sublease for your Site (“**Site Lease**”) and any other provisions that we may reasonably require. Our review of the Site Lease is for our own benefit only and is not intended to supplement or replace a review by your attorney. We may require you to engage an attorney to review your Site 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. You must secure a Site that we have approved by signing a Site Lease or purchase agreement within 90 days after the Effective Date (the “**Site Acquisition Deadline**”). We may extend the Site Acquisition Deadline by 90 days 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 we have accepted a site for your Studio and you are unable or unwilling to acquire such site or an alternative site that we accept by the Site Acquisition Deadline, we may terminate the Franchise Agreement. You must deliver to us the completely executed purchase agreement or Site Lease and Lease Rider within 10 days after execution of the Site Lease or purchase agreement, and you may not amend or

renew any Site Lease without our written consent. You must comply with the terms and conditions of your Site Lease. We are not obligated to execute your lease or guarantee a lease for you.

#### 4.4 Site Construction.

(a) Plans. We will make available to you a set of prototype plans and specifications (not for construction) for the Studio and for the exterior and interior design and layout. You must engage designers, architects, and engineers to 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 your contractors (collectively “**Plans**”), which we must approve prior to their submission for permitting. After we have accepted the final Plans, you may not modify the Plans without our prior written consent. We have the right to require you to obtain our prior written approval of any project managers, architects, engineers, or designers that you would like to use before you engage them.

(b) Permit, Licenses, and Compliance. Before beginning any construction, you, at your expense, must obtain all necessary government permits and licenses for the lawful construction and operation of your Studio. You must abide by your landlord’s rules and guidelines. It is your responsibility to ensure that all Plans comply with the Americans with Disabilities Act and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions. Our review of your Plans is limited to ensuring your compliance with our design requirements and is not designed to assess compliance with applicable federal, state, and local laws, rules, regulations, and ordinances in your Territory (“**Applicable Laws**”) or your Site Lease.

(c) Construction Phase. You must provide us with written notice identifying your proposed 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 we have pre-approved one in your Site Selection Area. You must notify us in writing promptly when construction begins and must maintain continuous construction until the Studio is completed. You agree to complete the construction of your Studio in accordance with the approved Plans at your expense. We and our agents may inspect the construction at all reasonable times. After completion of construction, you must promptly obtain a certificate of occupancy and provide a copy of the certificate to us.

4.5 Opening Deadline. You must complete construction of and open your Studio for business no later than 270 days after the Effective Date (the “**Opening Deadline**”), unless we grant you an extension in writing. We may, in our sole discretion, extend the Opening Deadline, which we may condition on you 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 you executing a general release. You may not open the Studio until you have received our written approval, which we will not provide until (i) we have viewed the certificate of occupancy, (ii) confirmed that you have complied with the Plans, (iii) confirmed that you have complied with the pre-opening marketing obligations set forth in this Agreement and have done so in accordance with our System Standards as set forth in the Manuals, (iv) your initial employees have satisfied any applicable training requirements that we designate; and (v) you have met the required minimum number of pre-opening members and/or paid membership sales as set forth in Appendix A (the “**Pre-**

**Opening Membership Requirement**”), with the intent and effect that such pre-sold memberships will commence immediately on the Opening Date. You must open the Studio for business to the public within ten days from the date we give our written approval. Time is of the essence in constructing the premises for and opening the Studio.

4.6 **Relocation.** You may not relocate the Studio without our prior written consent. Such approval will not be unreasonably withheld, provided that (i) the new location for the Studio premises is satisfactory to us, (ii) your lease, if any, for the new location complies with our then-current requirements and you and your landlord execute the Lease Rider, (iii) you comply with our then-current requirements for constructing and furnishing the new location, (iv) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Sales of any other Studio, (v) you have fully performed and complied with each provision of this Agreement within the last three years prior to, and as of, the date we consent to such relocation (the **“Relocation Request Date”**), (vi) no Event of Default (as herein defined), or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the Relocation Request Date, and (vii) you have met all of our then-current training requirements. If your Site Lease expires or is otherwise terminated, you must secure our approval of another site and enter into a Site Lease for the new approved site within 90 days. You agree to pay us the Relocation Fee upon notifying us of your intent to relocate the Studio to a new Site, whether or not the new Site is approved. We reserve the right to terminate this Agreement if you fail to secure a new approved site within 90 days after you lose the Site Lease.

## **Section 5 Training and Assistance**

5.1 **Initial Training.** Prior to opening the Studio, you (or your Operating Principal, if you are an Entity) and your Designated Manager (collectively, **“Required Trainees”**) must personally attend and satisfactorily complete our initial training program (**“Initial Training”**). We will provide Initial Training as soon as practicable after the execution and delivery of this Agreement at our offices, at any other location that we designate, and/or remotely via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We will determine the length, timing, location, and substance of Initial Training in our sole discretion. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training or have previously been trained at one of our Studios. Each subsequent Operating Principal and Designated Manager must attend our Initial Training unless we otherwise agree in writing.

(a) **Cost.** We will provide instructors, facilities, and materials your Required Trainees as part of the Franchise Fee, provided that all of your trainees are trained during the same training session. We reserve the right to charge the Training Fee for each person who attends a subsequent Initial Training program, including (i) each person who is repeating the course or replacing a person who did not pass and (ii) each subsequent Operating Principal, Designated Manager, or employee who attends the course.

(b) **Completion of Initial Training.** If your Required Trainees are unable to successfully complete, in our sole discretion, Initial Training for any reason, your Required Trainees must repeat Initial Training or you must send replacement Required Trainees to complete Initial Training. Your Required Trainees must successfully complete Initial Training at least 30 days before the earlier of the date you open the Studio or the Opening Deadline (or by such earlier deadline that we specify). We will not refund any initial franchise fees paid by you. If you and your personnel satisfactorily complete our Initial Training and you do not expressly



inform us at the end of Initial Training that you feel that you or they have not been adequately trained, then you and they will be deemed to have been trained sufficiently to operate a Studio.

5.2 Opening Advice. Prior to opening your Studio, we will advise you as to development of Session schedules and local marketing and networking efforts.

5.3 Additional Training. We may periodically conduct mandatory or optional training programs for your Required Trainees and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, except as provided in Section 3.11 with respect to our initial training program and Appendix A (if any additional training fees are specified within such Appendix), but we may charge you a reasonable fee for optional training programs, which will not exceed \$3,000 per attendee per program. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in up to five days of refresher or advanced training in each year of the Term.

5.4 Remedial Training. If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Studio to retrain Studio employees and restore service levels and/or require you or your employees to repeat Initial Training or attend additional training programs at a location that we designate. We may charge a fee of up to \$1,000 per trainer per day for each trainer assigned to your Studio and any remedial training.

5.5 Training by You. Your Required Trainees are responsible for training all of your other employees, including subsequent Designated Managers, in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards, we may prohibit you from training additional employees and either require them to attend training at our headquarters (for which you must pay the Training Fee) or pay our fee to send one of our representatives to train them at your Studio, which will not exceed \$1,000 per trainer per day.

5.6 Requested Consulting Services. We will provide to you additional consulting services with respect to the operation of the Studio upon your reasonable request and subject to the availability of our personnel. If we deem it appropriate or necessary, we will make available to you information about new developments, techniques, and improvements in the areas of merchandising, advertising, management, operations, and Studio design. We may provide such additional consulting services through the distribution of printed or filmed material, an intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us a consulting fee of up to \$1,000 for each of such employees or agents for each day or partial day services are rendered. Such additional consulting services will be rendered at a mutually convenient time.

5.7 Travel and Living Expenses. You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages, and other expenses incurred by your trainees. In addition to paying any applicable training or consulting fees, you are responsible for reimbursing us for any travel and living expenses incurred by our and our affiliates' employees or agents related to providing any additional training, remedial training, or consulting services at your Studio.

## **Section 6     Studio Operation and System Standards**

### **6.1     Manuals.**

(a)     Compliance with the Manuals. We will furnish you with electronic access to our Manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect. We reserve the right to furnish all or part of the Manuals to you in electronic form and to establish terms of use for access to any restricted portion of our website. You must comply with and abide by each required System Standard contained in the Manuals, as they may be amended, modified, or supplemented periodically and such other written or electronically transmitted System Standards that we may issue periodically. You acknowledge that we may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the System. You must comply with revised mandatory System Standards within 30 days after we transmit the updates, unless otherwise specified.

(b)     Use of the Manuals. You agree to keep your copy of the Manuals up-to-date. If there is any dispute as to the current contents of the Manuals, the terms of our master copy maintained at our headquarters will control. You acknowledge that we own the copyright in the Manuals and that your copy of the Manuals remains our property and will be returned to us immediately upon expiration or termination of this Agreement. You will treat the Manuals, and the information contained therein, as confidential and will maintain the confidentiality of such information. You will not, without our prior written consent, copy, duplicate, record, use, or otherwise reproduce in any way the Manuals, in whole or in part, or otherwise make their contents available to any unauthorized person, except as provided in Section 10 (Proprietary Information).

### **6.2     Management and Personnel.**

(a)     Studio Management. Unless otherwise specified in the Manuals, at all times that your Studio is open for business, it must be under the personal, on-premises supervision of a Required Trainee. Your Designated Manager or another trained manager must be available at all times the Studio is open for business. You may not permit your Studio to be operated, managed, directed, or controlled by any other person or Entity without our prior written consent.

(b)     Employment Decisions and Policies. You are solely responsible for all labor and employment-related matters and decisions related to your Studio, including hiring, firing, promoting, demoting, and compensating (including through wages, bonuses, or benefits) your employees. You must ensure that your employees are qualified to perform their duties in accordance with our System Standards and successfully pass a background check. We do not require you to implement any employment-related policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Manuals or otherwise for your optional use. You shall determine to what extent, if any, these policies and procedures may be applicable to your operations at the Studio.

(c)     Replacement Designated Manager. If your Designated Manager ceases to be employed by you at the Studio, you must hire a new Designated Manager, and have them successfully complete Initial Training, within 30 days after your former Designated Manager's employment at the Studio ends. If you are unable to immediately appoint and train a Designated Manager, we may, in our sole discretion, provide a Designated Manager to work at

your Studio temporarily until a new Designated Manager is appointed and trained. In such instances you will pay to us the Management Fee.

6.3 Operation of the Studio. You will not use the Site for any purpose other than the operation of the Studio in compliance with the System and the Manuals. You will not lease, sublease, or assign the Site Lease for all or any portion of the Site, without our prior written consent. You may not offer or allow others to offer Sessions at the Studio other than Sessions offered under the Brand and provided by qualified and properly trained instructors.

(a) Restricted Uses. You, your Owners, and your Affiliates may not offer any products or services to your Studio's customers (whether those services are provided at the Studio or any other location) without our prior written approval, which we may withhold in our sole discretion. You, your Owners, and your Affiliates may not operate any retail location providing any products or services that are ancillary to the Studio's business to customers (such as, for example, a juice or smoothie bar) from a location at or near the Site.

(b) Operating Hours. You must keep the Studio open for business to the public at least during the hours we prescribe from time to time in the Manuals or otherwise approve, unless prohibited by Applicable Laws or by the Site Lease (if any) for the Studio premises.

(c) Notice of Independent Contractor. During the Term, you agree to hold yourself out to the public as an independent contractor operating your Studio under license from us, and you must display in a conspicuous location in or upon the Studio, or in a manner that we specify, a sign containing a notice that the Studio is owned and operated independently by you who is an authorized licensed user of the Marks, using language that we designate. You must include this notice or other similar language that we specify on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary, and other written materials we designate.

(d) Memberships. You may offer customers the chance to become members (a "**Member**") by signing a membership agreement in a form that we have prescribed or approved in writing (the "**Membership Agreement**"), unless we specify otherwise in writing. We will specify in the Manuals or otherwise in writing the types of memberships and passes you may offer to customers and the benefits you must provide to Members who purchase certain memberships or passes. You must follow any rules and policies that we include in the Manuals with respect to your Members.

(e) Membership Agreements and Studio Waivers. We will provide you with templates for Membership Agreements, certain other agreements and related waivers for use in your Studio. You will be responsible for (i) modifying Membership Agreements and waivers to comply with Applicable Laws; and (ii) providing the appropriate agreements to customers. You must obtain our written consent before you use a modified or different form of such agreements or waivers. Our review of any agreement or waiver that you propose to use is limited to ensuring your compliance with our content requirements. Our acceptance of a form of an agreement or waiver is not a warranty or representation of any kind as to the compliance of such agreement or waiver with Applicable Laws. It is solely your responsibility to ensure that any agreements or waivers that you use in your Studio comply with Applicable Laws.

(f) Upkeep of the Studio. You must keep the exterior (including parking lot) and interior of your Studio and all fixtures, furnishings, signs, and equipment (the

**“Operating Assets”**) in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You must place or display at the Site (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we periodically require or authorize. You may not make any material alteration, addition, replacement, or improvement to your Studio, including its Operating Assets, without our prior written consent.

6.4 Minimum Sales Levels. During the Term, you must achieve the following minimum sales levels (the **“Minimum Sales Levels”**):

(a) average monthly Gross Sales of at least \$30,000 in the first full calendar year after the Opening Date; and

(b) average monthly Gross Sales of at least \$40,000 in the second and each subsequent full calendar year after the Opening Date. If you fail to meet the Minimum Sales Levels in any calendar year, you must create a business plan that we must approve in writing and you must diligently implement the business plan during the next calendar year. If you fail to meet the Minimum Sales Levels for two consecutive years, such failure shall be an Event of Default (as defined in Section 14.1 (Events of Default)).

6.5 Studio Appearance.

(a) Maintenance. You must maintain the exterior (including parking lot) and interior of your Studio and all of the Operating Assets in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You agree to take, without limitation, the following actions during the Term at your expense: (i) thorough cleaning, repainting and redecorating of the interior and exterior of the Studio at intervals that we may periodically designate and at our direction; (ii) interior and exterior repair of the Studio as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may periodically specify (or, if we do not specify an interval for replacing any item, as that item needs to be repaired or replaced).

(b) Renovations. Upon our written request, but not more than once every five years, you must refurbish and renovate the Studio at your expense to conform the decor, Trade Dress, color schemes, signage, and presentation of the Marks to our then-current image and design. Such renovations may include, as we deem necessary, remodeling, redecoration, and other modifications to existing improvements and updating or replacing any Operating Assets. You acknowledge that this obligation could result in your making extensive structural changes to, and significantly remodeling and renovating, the Studio, and/or in your spending substantial amounts for new Operating Assets, and you agree to incur, without limitation, any capital expenditures required in order to comply with this obligation and our requirements (even if those expenditures cannot be amortized over the remaining Term). Within 60 days after receiving written notice from us, you must have plans prepared according to the System Standards we prescribe and, if we require, using architects and contractors we approve, and you must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify.

6.6 Sessions. You must conduct all Sessions in accordance with the System. Unless otherwise permitted by us, you may not add any exercises, movements, stretches, choreography, positions, processes, or music that we have not approved, and you may not omit any exercises, movements, stretches, choreography, positions, processes, or music that we

require. You must offer at the Studio any types of Sessions that we deem to be mandatory. Any Sessions that you or your instructors develop must be consistent with the System Standards that we specify from time to time. If we disapprove of any Session that you offer, you must immediately discontinue offering such Session or modify it in accordance with our instructions

6.7 Pricing. If we determine that we may lawfully require you to charge certain prices for goods or services, certain minimum prices for goods or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. If we set a suggested retail price for a good or service, we may prohibit you from advertising any other prices for such goods or services. Except as otherwise provided in this Section and in Section 6.10(a) (Promotional Programs and Reciprocity), you are solely responsible for determining the prices that you will charge Members and customers. You must provide us with your current price list upon our request.

#### 6.8 Products, Supplies, Operating Assets, and Services.

(a) Purchases. We have the right to require that products, supplies, Operating Assets, and services that you purchase for resale or purchase or lease for use in your Studio: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our Affiliates or a buying cooperative organized by us or our Affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals.

(b) Products and Services You May Offer. You may offer in the Studio to customers only the products, services, and Sessions that we have approved in writing. In addition, you must offer the specific products, services, and Sessions that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products, services, or Sessions that we designate as mandatory. You may sell products and services only in the varieties, forms, and packages that we have approved in accordance with our System Standards. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

(c) Revenue from Purchases. You acknowledge and agree that we and/or our Affiliates may derive revenue based on your purchases and leases, including from charging you for products and services we or our Affiliates provide to you and from promotional allowances, volume discounts, and other payments made to us by suppliers and/or distributors that we designate or approve for some or all of our franchisees. We and our Affiliates may use all amounts received from suppliers and/or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our Affiliates deem appropriate. If you derive any revenue based on payments or promotional allowances received from suppliers and/or distributors, you must report to us the details of the arrangement and such revenue shall be included as part of your Gross Sales.

(d) Approval Process. If you would like to offer products, services, or Sessions or use any supplies, Operating Assets, or services that we have not approved or to purchase or lease from a supplier or service provider that we have not approved, you must submit

a written request for approval and provide us with any information that we request. We have 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. We may require the proposed supplier or service provider to visit our headquarters, currently in Chicago, Illinois, to evaluate the proposed supplier or service provider in person. You agree to pay us a charge that is equal to the greater of \$1,000 or our and our affiliates' actual costs and expenses related to the inspection and/or 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. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 30 days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. You acknowledge that the products and services that we approve for you to offer in your Studio may differ from those that we permit or require to be offered in other Studios.

(e) Revocation of Approval. We reserve the right to reinspect 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 our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing or leasing the formerly-approved item or service or any items or services from the formerly-approved supplier or service provider and you must dispose of your remaining inventory of the formerly-approved items and services as we direct. If we revoke approval of a previously-approved product that you have been selling to customers or service or Sessions that you have been offering to customers, you must immediately discontinue offering the service or Sessions and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

6.9 Distribution. You may not make any sales of products or services outside of the Studio, conduct Sessions or programs outside of the Studio, or use vendor relationships that you establish through your association with us or the Brand for any other purpose besides the operation of the Studio, unless we consent in writing. You agree to purchase products solely for resale to retail customers, and not for resale or redistribution to any other party, including other franchisees in our network. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing.

6.10 Participation in System-wide Programs, Conferences, and Councils.

(a) Promotional Programs and Reciprocity.

(i) Promotional Programs. You must participate in all in-Studio promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards, or coupons (including Groupons and similar discounts) unless approved or offered by us or our Affiliates.

(ii) Deals. We or our Affiliates have the right, but not the obligation to, offer deals or other discounted Session promotions, coupons, vouchers, memberships, reciprocity programs, or gift certificates on third-party websites or apps (such as Groupon, ClassPass, etc.) or other similar promotions designed to drive customers to Studios (“**Deals**”). If we or our Affiliates offer any Deals, we and our Affiliates have the right to collect and retain any revenue from such Deals, including any customer payments to such third parties. You must provide Sessions or other products or services to any customers redeeming any vouchers, gift certificates, Sessions, or coupons related to such Deals in accordance with the standards and other terms that we periodically specify. Except as we otherwise approve, you must treat customers who purchase Deals in the same manner as any other customer and must not limit their access to your Studio or Sessions. We may, in our sole discretion, pay to you all, or a portion of, any revenue that we receive that is directly related to Deals that are redeemed by customers at your Studio, but we are not obligated to do so and the amount of such reimbursement, if any, may be less than the standard price you charge for such Sessions, products, or services.

(iii) Studio Reciprocity. You must adhere to our policies and procedures related to Member reciprocity amongst (a) other Studios and/or (b) studios operated as part of the franchise systems in connection with the other brands owned and/or licensed by us or our Affiliates.

(b) Conferences and Events. You, your Operating Principal, your Designated Managers, or any of your representatives that we designate must attend franchise conventions, meetings, product shows or demonstrations, and teleconferences (“**Events**”) that we may require periodically in the Manuals or otherwise in writing. We, in our sole discretion, will designate the time and place of any Events, which may be held in-person or remotely via teleconference or web seminar. We will be responsible for arranging Events and providing meeting materials. You are responsible for arranging and paying for travel and living expenses that you and/or your representatives incur. We may require you to pay us a reasonable registration fee for you and each of your representatives, which will not exceed \$1,000 per attendee. If you or any of your representatives fail to attend any Events that we require you and/or they to attend, regardless of the reason for the absence, you must pay us the registration fee that each absent required attendee would have incurred plus \$500 for each absent required attendee, unless we have previously excused them in writing in our sole discretion.

(c) Franchisee Advisory Council. We may establish an advisory council of franchisees (“**Franchisee Advisory Council**”) using a form and process set forth in the Manuals to advise us on various issues and strategies. The Franchisee Advisory Council will have an advisory role but no operational or decision-making power. We may change the structure and process of the Franchisee Advisory Council or dissolve the Franchisee Advisory Council at any time. If we establish a Franchisee Advisory Council, you must participate in all council-related activities and meetings and must pay any dues related to the administration of the Franchisee Advisory Council.

## 6.11 Technology System.

(a) Acquisition and Updates. You must obtain, maintain, and use the hardware, software, other equipment, and network connections that we specify periodically in the Manuals necessary to operate our point-of-sale system, the customer relationship management system, the online reservation system, and other technology systems that we designate (collectively, the “**Technology System**”). You must use the Technology System to (i) enter and

track purchase orders and receipts, attendance, and customer information, (ii) update inventory, (iii) enter and manage your customers' contact information, (iv) generate sales reports and analysis relating to the Studio, and (iv) provide other services relating to the operation of the Studio. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. You must replace, upgrade, or update at your expense the Technology System as we may require periodically without limitation. We will establish reasonable deadlines for implementation of any changes to our Technology System requirements.

(b) Use of the Technology System. You agree: (i) that your Technology System will be dedicated for business uses relating to the operation of the Studio; (ii) to use the Technology System in accordance with our policies and operational procedures; (iii) to transmit financial and operating data to us as required by the Manuals; (iv) to do all things necessary to give us unrestricted access to the Technology System at all times (including users IDs and passwords, if necessary) so that we may independently download and transfer data via a connection that we specify; (v) to maintain the Technology System in good working order at your own expense; (vi) to ensure that your employees are adequately trained in the use of the Technology System and our related policies and procedures; and (vii) not to load or permit any unauthorized programs or games on any hardware included in the Technology System. You also must comply with all laws and payment card provider standards relating to the security of the Technology System, including, without limitation, the Payment Card Industry Data Security Standards. You are responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect.

6.12 Compliance with Laws and Good Business Practices. You must comply with all Applicable Laws. You must obtain and maintain in good standing any and all licenses, permits, and consents necessary for you to lawfully operate the Studio. You have sole responsibility for such compliance despite any information or advice that we may provide. You must in all dealings with your customers, prospective customers, suppliers, us, and the public adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or the goodwill associated with the Marks or other Studios.

6.13 Notice of Proceedings. You will notify us in writing within five days after the commencement of any action, suit or proceeding, or of the issuance of any inquiry, subpoena, order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality in connection with the operation or financial condition of the Studio, including any criminal action or proceeding brought by you against any employee, customer, or other person, but excluding civil proceedings against customers to collect monies owed.

6.14 Insurance. During the Term you must maintain in force at your sole expense the insurance coverage for the Studio in the amounts, covering the risks, and containing only the exceptions and exclusions that we periodically specify in the Manuals for all similarly situated Studios. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an "occurrence" basis, except for the employment practices liability insurance coverage, which is on a "claims made" basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our Affiliates maintain. All general liability and workers' compensation



coverage must provide for waiver of subrogation in favor of us and our Affiliates. We may, upon at least 60 days' notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us and any Affiliates we designate as an additional insured and provide for 30 days' prior written notice to us of a policy's material modification or cancellation. You agree periodically to send us a valid certificate of insurance or duplicate insurance policy evidencing that you have maintained the required coverage and paid the applicable premiums. If you fail to obtain or maintain (or to prove that you have obtained or maintained) the insurance we specify, in addition to our other remedies, we may (but need not) obtain such insurance for you and the Studio on your behalf, in which event you shall cooperate with us, and we may charge you up to 120% of our and our affiliates' costs and expenses related to obtaining and maintaining the insurance.

6.15 Taxes. You will pay when due all taxes, assessments, and governmental charges upon or against you or your real or personal properties, income, and revenue; provided that no such tax, assessment, or governmental charge need be paid so long as the validity, applicability, or amount thereof is being contested in good faith by appropriate proceedings and appropriate reserves are maintained to pay the disputed amount, if necessary.

6.16 Security Interest. You hereby collaterally assign to us the Site Lease and a security interest in all of the assets of the Studio, including Operating Assets, inventory, accounts, supplies, contracts, cash derived from the operation of the Studio and sale of other assets, and proceeds and products of all those assets. Upon our request, you must execute any documents or agreements that we require in order to further document, perfect, and record our security interest. If you default under any of your obligations under this Agreement, we may exercise all rights of a secured creditor under Applicable Laws, in addition to our other rights and remedies under this Agreement and under Applicable Laws. If an approved third-party lender requires that we subordinate our security interest in the assets of the Studio as a condition to lending you working capital for the construction or operation of the Studio, we may, in our sole discretion, agree to do so pursuant to terms and conditions that we specify. 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 we deem appropriate to protect our interests.

## **Section 7     Marketing**

7.1 Our Advertising Materials. We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our Affiliates will retain all copyrights relating to such advertising materials.

### **7.2     Brand Fund.**

(a) Fund Management. We may, but are not obligated to, establish the Brand Fund, a segregated or independent fund into which all Brand Fund Fees will be paid. In no event will we be deemed a fiduciary with respect to any Brand Fund Fees we receive or administer. We are not required to have an independent audit of the Brand Fund completed. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within 60 days after the close of our fiscal year to franchisees that make a written

request for a copy. If any monies in the Brand Fund remain at the end of a fiscal year, they will carry-over in the Brand Fund into the next fiscal year. We or one of our Affiliates may make or otherwise arrange loans to the Brand Fund in any year in which the balance of the Brand Fund is negative and charge a reasonable rate of interest. The amounts loaned to the Brand Fund will be repaid from future contributions to the Brand Fund in the year the loan is made or in subsequent years.

(b) Use of Brand Fund. We may use monies in the Brand Fund and any earnings on the Brand Fund account for any costs associated with advertising (media and production), branding, marketing, public relations and/or promotional programs and materials, and any other activities we determine, in our sole discretion, would benefit the Brand or the Studios generally, including (i) advertising campaigns in various media; (ii) creation, maintenance, and optimization of the System Website or other websites; (iii) keyword or adword purchasing programs; (iv) conducting and managing social media activities; (v) direct mail advertising; (vi) market research, including secret shoppers and customer satisfaction surveys; (vii) branding studies; (viii) engaging advertising and/or public relations agencies and paying any related retainers and fees; (ix) employing marketing and brand-building personnel and paying the salaries and benefits of such personnel and our marketing department overhead; (x) purchasing and designing promotional items; (xi) conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; (xii) marketing the sale of franchises; and (xiii) providing promotional and other marketing materials and services to our franchisees. We may also use contributions to the Brand Fund for reasonable administrative costs and overhead we incur in the administration of the Brand Fund and the implementation of Brand Fund-supported programs. We may use monies in the Brand Fund to pay for an independent audit of the Brand Fund, if we elect to have it audited. We do not guarantee that you will benefit from the Brand Fund in proportion to your contributions to the Brand Fund.

(c) Control Over Brand Fund. We may consult with, in our sole discretion, a franchisee advisory council selected by franchisees or a committee of franchisees that we appoint regarding marketing programs. However, we have the right to direct all marketing programs and uses of the Brand Fund, with the final decision over creative concepts, materials, and media used in the programs and their placement.

(d) Materials Produced. Any sales and other materials produced with Brand Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the Brand Fund.

(e) Other Contributions. If we or our Affiliates operate any Studios, we or our Affiliates will contribute to the Brand Fund a percentage of the receipts of those Studios, on the same basis as required for franchisees. If we reduce the Brand Fund contribution rate for franchisees, we will reduce the contribution rate for company or Affiliate-owned Studios by the same amount. You acknowledge that our other franchisees may not be required to contribute to the Brand Fund, may be required to contribute to the Brand Fund at a different rate than you, or may be required to contribute to a different Brand Fund.

### 7.3 Local Marketing.

(a) Local Marketing Requirements. You must participate in such advertising, promotional, and community outreach programs that we may specify from time to time, at your own expense. You must use your best efforts to promote the use of the Marks in your Territory. You must ensure that all advertising, marketing, promotional, customer

relationship management, public relations, and other Brand-related programs and materials that you or your agents or representatives develop or implement relating to the Studio (i) are completely clear, factual, and not misleading, (ii) comply with all Applicable Laws, and (iii) conform to the highest ethical standards and the advertising and marketing policies that we periodically specify. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree otherwise. There are no territorial restrictions from accepting business from retail customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

(b) Approval of Advertising Materials. You must obtain our advance written approval prior to using or producing any advertising or marketing materials using any of the Marks, in whole or in part. You agree to conduct all advertising in a dignified manner and to conform to the standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received within 14 days from the date we received the material, the material is deemed disapproved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

(c) Minimum Marketing Expenditure. You must spend at least \$1,500 per month on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Brand Fund Fee. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any month, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Brand Fund Fee or to pay us the shortfall for us to spend on local marketing for your Studio.

(d) Grand Opening Advertising. In connection with the opening of the Studio, you must spend a minimum of \$15,000 for grand opening advertising and promotion beginning at least 60 days before, and ending 30 days after, the opening of your Studio in accordance with a plan that you must submit to us for our approval. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. The wages and other payroll-related expenses of your employees shall not be credited towards this spending requirement. No amount paid by you for your grand opening will be credited toward the Marketing Spending Requirement. You must provide us with supporting documentation evidencing these expenditures upon request. We reserve the right, however, to require you to pay to us the \$15,000 minimum grand opening spend, and we will use those funds to conduct grand opening advertising and promotion for your Studio on your behalf in a manner that we determine in our sole discretion.

7.4 Advertising Cooperatives. You agree to join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or approve for the purpose of promoting, coordinating, and purchasing advertising in local, regional, or national areas where there are multiple Studios (“**Advertising Cooperatives**”) and to abide by the bylaws, rules, and regulations duly required by the Advertising Cooperative, which we have the right to mandate or approve. If you join an Advertising Cooperative, the Advertising Cooperative may require you to spend additional funds on marketing programs conducted by the

Advertising Cooperative, which may be in addition to your Brand Fund Fee or Marketing Spending Requirement. We shall have the right to approve any marketing materials or marketing programs developed by any Advertising Cooperative in the same manner as specified in Section 7.3(b) (Approval of Advertising Materials).

## 7.5 Digital Marketing.

(a) Restrictions. We or our Affiliates may, in our sole discretion, establish, operate, and/or participate in websites, social media accounts (such as Facebook, X, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, ClassPass, etc.), mobile applications, podcasts, blogs, vlogs, video and photo-sharing sites (such as TikTok, YouTube, etc.), chat rooms, virtual worlds, review sites, or other means of digital advertising on the Internet or any electronic communications network (collectively, “**Digital Marketing**”) that may be used to promote the Marks, your Studio, and the entire network of Studios. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Studio. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Studio or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines, or requirements. If we permit you or your employees to conduct any Digital Marketing, we will have the right to retain full control over all websites, social media accounts, mobile applications, or other means of digital advertising that we have permitted you to use. We may withdraw our approval for any Digital Marketing or suspend or terminate your use of any Digital Marketing platforms at any time.

(b) System Website. As part of our Digital Marketing, we or one of our designees will operate and maintain a System Website, which will include basic information related to the Studio, the ability for customers to purchase Sessions at your Studio, and access to the Studio’s reservation system. You must promptly provide us with any information that we request regarding your Studio for inclusion on the System Website.

## **Section 8     Records, Reports, Audits, and Inspections**

8.1 Bookkeeping and Records. You agree to keep complete and accurate books, records, and accounts of all business conducted under this Agreement in accordance with generally accepted accounting principles. You must preserve all of your books and records in hard copy or in a format from which hard copies can be readily generated for at least five years from the date of preparation or such longer period as may be required by law. You must maintain such information and records on the Technology System as we may require from time to time in the Manuals and you acknowledge and agree that we will have access to that data remotely via a network connection that we will specify. At our request, you must retain and use, at your expense, the services of an accountant or accounting firm that we approve.

8.2 Reports and Financial Statements. You agree to submit financial and operational reports and records to us at the times and in the manner specified in the Manuals. Upon our written request, by April 15 of each year, you must submit your balance sheet and income statement for the previous calendar year. With respect to your year-end income statement and balance sheet, you or the Operating Principal must certify that the income

statement and balance sheet are correct and complete and that they have been prepared in accordance with generally accepted accounting principles. We have the right to demand audited financial statements if an Event of Default has occurred within the last calendar year. In addition, you must provide us within 15 days after our request, exact copies of federal and state income and other tax returns and any other forms, records, books, reports and other information that we periodically require relating to the Studio or you.

8.3 Additional Information. You shall respond promptly to requests from us for clarification and/or additional information regarding any matter entrusted to you under this Agreement. We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, and performance to provide a basis for providing our prospective franchisees with information concerning actual or potential earnings or to comply with Applicable Laws governing the sale of franchises. You will provide such information promptly upon our request, and you will certify that such information is true and complete in all material respects.

8.4 Inspections and Right to Obtain Information.

(a) Inspections. We have the right, through our employees and any agents we designate, at any time during business hours and without prior notice to you to: (i) inspect the Site and Studio for compliance with the Manuals, (ii) videotape, photograph or otherwise record the operation of the Studio, (iii) interview your employees, landlord, and customers, (iv) examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Studio, and (v) examine your income tax records and any other information, records or properties relating to the ownership, management, or operation of the Studio. We may require you to install and maintain, at your expense, a video surveillance system that we designate which we may access remotely through a connection that we specify to ensure compliance with our standards and the Manuals. Our right to inspect your business records includes records maintained electronically or off-site. You must cooperate with such inspections by giving our representatives unrestricted access and rendering such assistance as our representatives may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. If you fail to correct any deficiencies within a reasonable time, not to exceed 30 days, we have the right to correct such deficiencies and charge you up to 120% of our and our affiliates' costs and expenses incurred in making such corrections. Any inspections will be made at our expense, unless the inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, in which case we may charge you up to 120% of our and our affiliates' costs and expenses related to making such inspection, including the wages and cost of travel and living expenses for our representatives.

(b) Right to Obtain Information. You agree that (a) we shall have the right to obtain from your, your Owners', or your Affiliates' vendors, lenders, financiers, and landlords any information, agreements, notices, or statements related to any Financing Arrangements and (b) such vendors, lenders, and landlords may accept this provision as conclusive evidence of our right and our authority to request and receive copies of such information or documents. "**Financing Arrangements**" includes any loans, financing arrangements, or leases any of the Franchisee Parties are parties to that are related to, or that may directly or indirectly have an effect on the development or operation of, the Studio.

8.5 Auditing. Without limiting the foregoing, we may audit or cause to be audited any statement you are required to submit pursuant to Section 8.2 (Reports and Financial

Statements) and we may review, or cause to be reviewed, the records maintained by the Franchisee Parties or any bank or other financial institution used by you in connection with the Studio. If any such audit or review discloses an understatement of the Gross Sales for any period or periods, you will pay to us, within 10 days after demand for payment is made, all additional Royalty Fees, Brand Fund Fees, or other amounts required to be paid based upon the results of such audit or review. In addition, if such understatement for any period or periods is 2% or more of the Gross Sales for such period or periods, we may charge you up to 120% of the cost of such audit or review, including the charges of any independent accountant and any related attorneys' fees and the cost of travel and living expenses and wages for such accountant and employees or other agents of us. You will pay to us, upon demand, on any delinquent fees interest at the lesser of 18% per annum or the maximum rate allowed by law calculated from the date when the fees should have been paid to the date of actual payment. These remedies are in addition to our other remedies and rights under this Agreement and Applicable Laws.

8.6 Mystery Shopper Program. We may require you to participate in a mystery shopper service in order to ensure your compliance with the System and our customer service standards. We may specify mystery shopper services that you must engage at your expense, or we may engage the mystery shopper service on your behalf. If we engage the mystery shopper service on your behalf, you must pay us a fee that we will specify in the Manuals upon demand, which will not exceed 110% of our and our affiliates' actual costs and expenses. You must share the results of any mystery shopper program with us and must promptly address any deficiencies identified in any such report. You must follow any evaluation process, and use such evaluation forms, as we may from time to time require.

## **Section 9 Intellectual Property.**

### **9.1 Marks and Trade Dress.**

(a) Acknowledgements. You acknowledge that we or our Affiliates are the owner of the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the nonexclusive License granted herein, and that, as between we and you, we have the exclusive right and interest in and to the Marks and the Trade Dress and the goodwill associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.

(b) Rights. Your right to use the Marks and the Trade Dress applies only to the Studio operated at the Site as expressly provided in this Agreement, including advertising related to the Studio. You may only use in your Studio the Marks and the Trade Dress we designate, and only in compliance with written rules that we prescribe from time to time. You may not use any Mark (i) as part of any corporate or legal business name, (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you), (iii) in selling any unauthorized services or products, (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent, or (v) in any other manner we have not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by you without our prior written approval, which may be revoked at any time upon reasonable notice to you. You must display the Marks in a manner that we specify on signage at the Studio and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate.

9.2 Copyrights. You acknowledge that as between you and us, any and all present or future copyrights relating to the System or the Brand and related concept, including, but not limited to, the Manuals and marketing materials, (collectively, the “**Copyrights**”) belong solely and exclusively to us. You have no interest in the Copyrights beyond the non-exclusive License granted in this Agreement.

9.3 No Contesting Our Rights. During the Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest our ownership, title, right or interest in or to, or our license to use, or the validity of, (i) the Marks, (ii) the Trade Dress, (iii) the Copyrights, or (iv) any trade secrets, methods, or procedures that are part of the System (collectively, the “**Intellectual Property**”), or contest our sole right to register, use, or license others to use the Intellectual Property.

9.4 Changes to the Intellectual Property. We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the System without any liability to you, in our sole discretion. You agree to implement any such change at your own expense within the time we reasonably specify.

9.5 Third-Party Challenges. You agree to notify us promptly of any unauthorized use of the Intellectual Property of which you have knowledge. You also agree to inform us promptly of any challenge by any person or Entity to the validity of, our ownership of, or our right to license others to use any of the Intellectual Property. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys’ fees, recovered or owed to us or our Affiliates in connection with any such action. You agree to execute all documents and render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

9.6 Post-Termination or Expiration. Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you will execute all documents that we require to confirm such reversion.

9.7 Innovations. All ideas, concepts, techniques, or materials relating to a Studio or the System (collectively, “**Innovations**”), whether or not protectable intellectual property and whether created by or for you or your Owners, employees, or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System and the Intellectual Property, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, by this Section, you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. We and our Affiliates have no obligation to make any payments to you or any other person with respect to any Innovations. You may not use any Innovation in operating the Studio or otherwise without our prior approval.

## **Section 10    Proprietary Information.**

10.1    Receipt of Proprietary Information. You acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the System, our business, the businesses of our franchisees, our vendor relationships, our Sessions, or the construction, management, operation, or promotion of the Studio (collectively, “**Proprietary Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Studios, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Studios; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Studios use and/or sell; (v) knowledge of the operating results and financial performance of other Studios; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; and (vii) any other information we reasonably designate from time to time as confidential or proprietary. “Proprietary Information” does not include (a) information that is part of the public domain or becomes part of the public domain through no fault of you, (b) information disclosed to you by a third party having legitimate and unrestricted possession of such information, or (c) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

10.2    Nondisclosure of Proprietary Information. We and our Affiliates own all right, title, and interest in and to the Proprietary Information. You will not, nor will you permit any person to, use or disclose any Proprietary Information (including without limitation all or any portion of the Manuals) to any other person, except to the extent necessary for your professional advisors and your employees to perform their functions in the operation of the Studio. You acknowledge that your use of the Proprietary Information in any other business would constitute an unfair method of competition with us and our franchisees. You will be liable to us for any unauthorized use or disclosure of Proprietary Information by any employee or other person to whom you disclose Proprietary Information. You will take reasonable precautions to protect the Proprietary Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that we require. At our request, you will require anyone who may have access to the Proprietary Information to execute non-disclosure agreements in a form satisfactory to us that identifies us as a third-party beneficiary of such covenants with the independent right to enforce the agreement.

### 10.3    Customer Information.

(a)    Protection of Customer Information. You must comply with our System Standards, other directions from us, and all Applicable Laws regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Customer Information on your Technology System or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Customer Information. “**Customer Information**” means names, contact information, financial information and other personal information of or relating to the Studio’s customers and prospective customers. If there is a suspected or actual breach of security or unauthorized access involving your Customer Information, you must notify us immediately after becoming aware of such actual or suspected occurrence and specify the extent to which Customer Information was compromised or disclosed. You are responsible for any financial



losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Customer Information in your control or possession.

(b) Ownership of Customer Information. You agree that all Customer Information that you collect in connection with your Studio is deemed to be owned by us, and must be furnished to us at any time that we request it. In addition, we and our Affiliates may, through the Technology System or otherwise, have independent access to Customer Information.

(c) Use of Customer Information. You have the right to use Customer Information while this Agreement or a successor franchise agreement is in effect, but only to market products and services under the Marks to customers in accordance with the policies that we establish periodically and Applicable Laws. You may not sell, transfer, or use Customer Information for any purpose other than marketing products and services under the Marks. We and our Affiliates may use Customer Information in any manner or for any purpose. You must secure from your actual and prospective customers and others all consents and authorizations, and provide them all disclosures, that Applicable Laws require to transmit Customer Information to us and our Affiliates, and for us and our Affiliates to use that Customer Information, in the manner that this Agreement contemplates.

## **Section 11 Indemnification.**

11.1 Indemnification By You. You agree to indemnify and hold harmless us, our Affiliates, and our and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the Studio's operation; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; or (iv) your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including those concerning the Studio's construction, design or operation, and including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees. “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants', arbitrators', mediators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

11.2 Indemnification Procedure. You agree to defend the Indemnified Parties against any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in Subsection 11.1(i) through (iv) above (collectively, “**Proceedings**”), including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this Section 11 (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible, subject to Section 11.3 (Willful Misconduct or Gross Negligence). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not

reduce or alter the amounts that an Indemnified Party may recover from you under this Section 11. Your obligations in this Section 11 will survive the expiration or termination of this Agreement.

**11.3 Willful Misconduct or Gross Negligence.** Despite Section 11.1, you have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you for, any Losses (including costs of defending any Proceeding under Section 11.2) to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this Section 11.3 limits your obligation to defend us and the other Indemnified Parties under Section 11.2.

## **Section 12 Noncompete Covenants.**

**12.1 During Term.** You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of us and the Brand. During the Term, you and your Owners must not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(a) own, manage, engage in, be employed by, advise, make loans to, lease or sublease space to, or have any other interest in any competitive business, as such term is defined in Schedule A (a "**Competitive Business**") at any location in the United States;

(b) divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) 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.

**12.2 After Termination, Expiration, or Transfer.** For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners will be subject to the same restrictions as in Section 12.1 (During Term), except the restrictions in Section 12.1(a) and 12.1(b) shall be geographically limited to any Competitive Business that is located within a 10-mile radius of your 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 Owners, the time period in this Section 12.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

**12.3 Publicly Traded Corporations.** Ownership of less than five percent of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 12.

12.4 Covenants of Owners and Employees. The Owners personally bind themselves to this Section 12 by signing this Agreement or the attached Guarantee. We may, in our sole discretion, require you to obtain from your officers, directors, Designated Managers, Owners' spouses, and other individuals that we may designate executed agreements containing nondisclosure and noncompete covenants similar in substance to those contained in this Section 12 as we prescribe in the Manuals and otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

12.5 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Section 12 are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 12 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 12. You acknowledge that any breach or threatened breach of this Section 12 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 12. Such injunctive relief will be in addition to any other remedies that we may have.

## **Section 13    Transfer and Assignment.**

13.1 Transfer by Us. We have the right to assign this Agreement and all of our rights, duties, and obligations under this Agreement to any person or Entity that we choose in our sole discretion. Upon any such assignment, we will be released from all of our duties and obligations hereunder, and you will look solely to our assignee for the performance of such duties and obligations.

13.2 Definition of Transfer. 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 (a) this Agreement, (b) the Studio, (c) all or substantially all the assets related to the Studio, or (d) 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 Interest (defined below) in your 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 Interest**" in you mean either (a) 20% or more of the direct or indirect legal or beneficial ownership interests in your Entity or (b) the acquisition of an ownership interest or other right or interest which grants the power (whether directly or indirectly) to direct or cause the direction of management and policies of you or the Studio to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition.

### 13.3 Transfer Procedure.

(a) Consent Required. This Agreement and the License are personal to you, and we have granted the License in reliance on your and your Owners' business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining our prior written consent, except as provided in Section 13.7 (Permitted Transfers). Any purported Transfer, without our prior written consent, will be null and void and will constitute an Event of Default (as herein defined), for which we may terminate this Agreement without opportunity to cure.

(b) Obtaining Consent. If you or any of your Owners desire to make a Transfer, you must promptly provide us with advance written notice and must submit a copy of all proposed contracts and other information concerning the Transfer and transferee that we reasonably require. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. No Transfer that requires our consent may be completed until at least 60 days after we receive written notice of the proposed Transfer. We have sole and absolute discretion to withhold our consent, except as otherwise provided in Sections 13.6 (Transfer to an Entity), 13.7 (Permitted Transfers), and 13.8 (Transfer Upon Death, Incapacity, or Bankruptcy), and we may condition our consent on compliance with any conditions that we specify. If your Studio is not open and operating, we will not consent to your Transfer of this Agreement, and we are under no obligation to do so. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

13.4 Control Transfer. For a proposed Control Transfer, in addition to any other conditions that we reasonably specify, the following conditions apply (unless waived by us):

- (a) You or your transferee must pay us the Transfer Fee;
- (b) All of your accrued monetary obligations and all other outstanding obligations to us, our Affiliates, and approved suppliers shall be up to date, fully paid, and satisfied;
- (c) You and your Affiliates must not be in default if any provision of this Agreement and any Related Agreements as of (i) the date of the request for our approval of the Transfer (or you must make arrangements satisfactorily to us to come into compliance by the date of the Transfer) and (ii) the date of the Transfer;
- (d) You and your Owners must execute a general release, in a form that we prescribe, of any and all claims (to the extent permitted by Applicable Laws) against us, our Affiliates, and our and our Affiliates' past, present, and future officers, directors, managers, members, equity holders, agents, and employees, including claims arising under Applicable Laws;
- (e) You and your Owners must agree to remain liable for all of the obligations to us in connection with the Studio arising before the effective date of the Transfer and execute any and all instruments that we reasonably request to evidence such liability;
- (f) You and your Owners must continue to be bound by the provisions of Sections 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), and 12 (Noncompete Covenants) as if they were the Franchisee and this Agreement had expired or terminated as of the effective date of the Transfer;

(g) You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Site Lease to your transferee;

(h) Your proposed transferee (or, if the transferee is not an individual, all owners of any legal or beneficial interest in the transferee) must demonstrate to our satisfaction that such transferee meets all of our then-current qualifications to become a franchisee, including not having any involvement with a Competitive Business. If the transferee or its Affiliates already own a Studio, the transferee and its Affiliates must not be in default under any of their agreements with us or our Affiliates, must have a good record of customer service and compliance with our System Standards, and must, in our sole opinion, have sufficient financial and operational capacity to operate additional Studios;

(i) Your proposed transferee and their representatives must successfully complete our then-current training requirements at their expense;

(j) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must (i) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guarantee all of your obligations under this Agreement and (ii) must execute our then-current form of personal guarantee;

(k) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we 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, our then-current franchise agreement for new franchisees and such other agreements as we 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) Your proposed transferee must make arrangements to modernize, renovate, or upgrade the Studio, at its expense, to conform to our then-current System Standards for new Studios;

(m) Your proposed transferee must covenant that it will continue to operate the Studio under the Marks and using the System;

(n) We must determine, in our sole discretion, that the purchase price and payment terms will not adversely affect the operation of the Studio. If you or your Owners finance any part of the purchase price, you and they must agree that all obligations under promissory notes, agreements, or security interests reserved in the Studio will be subordinate to the transferee's obligation to pay all amounts due to us and our Affiliates and otherwise to comply with this Agreement; and

(o) You and your Owners and the transferee and its owners must execute a consent to Transfer agreement in a form that we prescribe that describes the conditions that must be complied with in order to obtain our consent to the Transfer.

**13.5 Non-Control Transfers.** For any Transfer that does not result in a Control Transfer, in addition to any other conditions that we reasonably specify, you and/or your transferee must satisfy (unless waived by us) the conditions in Sections 13.4 (Control Transfer),

except the following conditions will not apply: Section 13.4(g) (obtain landlord's consent), 13.4(i) (complete training), 13.4(k) (sign new franchise agreement), and 13.4(l) (renovate Studio). You and your Owners must sign the form of agreement and related documents that we then specify to reflect your new ownership structure.

13.6 Transfer to an Entity. We will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: (i) the Entity has and will have no other business besides operating Studio; (ii) you satisfy the conditions in Sections 13.4(a) (pay the applicable Transfer Fee), 13.4(b) (all payments made), 13.4(c) (comply with obligations), 13.4(d) (sign general release), 13.4(e) (remain liable for pre-Transfer obligations), 13.4(f) (remain bound to certain provisions), and 13.4(j) (sign assignment and guaranty); and (iii) the Owners hold equity interests in the new Entity in the same proportion shown in Appendix A.

13.7 Permitted Transfers. The other provisions in this Section do not apply, including our right of first refusal and right of approval, to the following Transfers:

(a) Security Interests. You may grant, without obtaining our consent, a security interest in the Site (if you own the Site), the Studio, or any Operating Assets to a financial institution or other party that provided or provides any financing for your acquisition, development, and/or operation of the Studio, but you may not grant a security interest in this Agreement. Any foreclosures or other exercise of the rights granted under any security interest are subject to all applicable terms and conditions of this Section 13. For the avoidance of doubt, in no event shall any secured party be entitled to (i) use on your or their behalf, or receive an assignment of your License to use, the Intellectual Property under this Agreement or (ii) use, assign, possess, or have access to the Proprietary Information.

(b) Transfer to a Revocable Trust. Any Owner who is an individual may Transfer his or her ownership interest in you (or any of your Owners that is an Entity) to a revocable trust that he or she establishes for estate planning purposes, as long as he or she (i) is a trustee of the trust, (ii) controls the exercise of the rights in you (or your Owner) held by the trust, and (iii) has the right to revoke the trust. You must provide us with advance written notice of such proposed Transfer and copies of the trust documentation that demonstrates your 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 13.7(b) are subject to all applicable terms and conditions of this Section 13.

13.8 Transfer Upon Death, Incapacity, or Bankruptcy. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us 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 13, as applicable, except there will be no Transfer Fee due. In addition, if the deceased or incapacitated person is you or the Operating Principal, we will have the right (but not the obligation) to take over operation of the Studio until the Transfer is completed and to charge the Management Fee for our services. 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 conditions of Section 13.4(h) (transferee meets qualifications), the executor may transfer the decedent's interest to another successor that we have 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 13.8 within 120 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 14.2 (Our Remedies After An Event of Default).

### 13.9 Our Right of First Refusal.

(a) Our Right. We have the right, exercisable within 30 days after receipt of the notice of your intent to Transfer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise our rights. We must receive, and you and your 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 your business prior to the closing of our purchase. Closing on our purchase must occur within 90 days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to another Entity or person either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers to an Entity under Section 13.7 (Permitted Transfers) or 13.8 (Transfer Upon Death, Incapacity, or Bankruptcy) or Transfers to your spouse, son, or daughter.

(b) Declining Our Right. If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with the applicable provisions in Section 13. Closing of the Transfer must occur within 90 days of our 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 our right of first refusal. Any material change in the terms of the offer from a third party after we have 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 our determination that the Transfer was on terms substantially the same as those offered to us.

## **Section 14 Termination and Default.**

14.1 Events of Default. Any one or more of the following constitutes an “**Event of Default**” under this Agreement:

(a) You or any Owner make or have made any material misrepresentations or omissions in connection with your application to us for the franchise, this Agreement, or any related documents, or you submit to us any report or statement that you know or should know to be false or misleading;

(b) Your Required Trainees fail to successfully complete Initial Training to our satisfaction at least 30 days before the earlier of the date you open the Studio or the Opening Deadline (or by such earlier deadline that we specify);

(c) You fail to sign a Site Lease or purchase agreement that we have approved for a site that we have accepted by the Site Acquisition Deadline;

(d) You fail to open for business by the Opening Deadline;

(e) You fail to make changes to the Site and the Studio as required in Section 6.5(b) (Renovations) within the applicable time periods;

(f) You fail to maintain possession of the Site and fail to secure our approval of and enter into a lease for a new, accepted Site within 90 days after the expiration or termination of the Site Lease;

(g) You voluntarily suspend operation of the Studio without our prior written consent for three or more consecutive business days on which you were required to operate, unless we determine, in our sole discretion, that the failure was beyond your control;

(h) After multiple attempts to reach you via telephone, e-mail, or other written correspondence, you fail to communicate with us within seven days after we send you a written communication in accordance with Section 17.11 (Notices) notifying you of our attempts to reach you and our need to receive a response from you.

(i) You fail to meet Minimum Sales Levels for two consecutive calendar years;

(j) You, your Operating Principal, your Designated Managers, or any of your representatives that we designate fail to attend or participate in two or more required franchise conventions, meetings, and teleconferences during any 12-month period, without our prior written consent;

(k) You, any Owner, or any of your 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 we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Brand (an “**Adverse Effect**”) or you, your Affiliates, any Owner, or any of your officers or directors has engaged in or engages in activities that, in our reasonable opinion, have an Adverse Effect;

(l) You or any of your Owners (a) misuse or make any unauthorized use of the Intellectual Property, (b) engage in any business or market any service or product under a name or mark which is confusingly similar to the Marks, or (c) otherwise materially impair the goodwill associated with the Marks or our rights in any of the Intellectual Property;

(m) You or any of your Owners, directors, or officers disclose or divulge the contents of the Manuals or other Proprietary Information contrary to Section 10 (Proprietary Information);

(n) Any Transfer occurs that does not comply with Section 13 (Transfer and Assignment), including a failure to transfer to a qualified successor after death or disability within the time allowed by Section 13.8 (Transfer Upon Death or Incapacity);

(o) You or any Owner violates the noncompete covenants in Section 12 (Noncompete Covenants);



(p) You breach or fail 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 us or applicable public officials, whichever occurs first;

(q) You or any Parent becomes insolvent or makes an assignment for the benefit of your creditors, execution is levied against your business assets, or a suit to foreclose any lien or mortgage is instituted against you and not dismissed within 30 days; you or any Parent makes an assignment for the benefit of creditors or admits in writing your or their insolvency or inability to pay your or their debts generally as they become due; you or any Parent consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of your or their property; the Studio is attached, seized, or levied upon, unless such attachment, seizure, or levy is vacated within 30 days; a lender forecloses on a material portion of your or your Parent's assets; or any order appointing a receiver, trustee, or liquidator of you, your Parent, or the Studio is not vacated within 30 days following the entry of such order;

(r) (i) You fail, refuse, or neglect to pay any monies owing to us or our Affiliates or fail to make sufficient funds available to us as provided in Section 3.14 (Methods of Payment) within ten days after receiving written notice of your default or 30 days after due date of the payment, whichever is the shorter period; (ii) you have previously been given at least two notices of nonpayment for any reason within the last 24 months and you subsequently fail to timely pay when due any monies; or (iii) you fail to do all things necessary to give us access to the information contained in your Technology System pursuant to Section 6.11 (Technology System) within 10 days after receiving notice;

(s) You are more than 60 days past due on your obligations to suppliers and trade creditors in an amount exceeding \$2,000, unless you have given us prior notice that the failure to pay is a result of a bona fide dispute with such supplier or trade creditor that you are diligently trying to resolve in good faith;

(t) You fail to pay when due any federal, state or local income, service, sales or other taxes due on the Studio's operation, unless you are in good faith contesting your liability for these taxes;

(u) You underreport 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;

(v) You refuse to permit, or try to hinder, an examination, inspection, or audit of your books and records, the Studio, or the Site as required by this Agreement;

(w) You fail 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 we provide you with notice of your default or you subsequently cure the default;

(x) Any Franchisee Party defaults under any Related Agreement, provided that the default would permit the other party to terminate such agreement, regardless of whether such other party terminates such agreement;

(y) Any Franchisee Party breaches or fails to comply with any other covenant, agreement, standard, procedure, practice, or rule prescribed by us, whether contained in this Agreement, in the Manuals, or otherwise in writing and fails to cure such breach or failure

to our satisfaction within 30 days (or such longer period as Applicable Laws may require) after we provide you with written notice of the default; provided, however, that if we determine such party cannot reasonably correct the breach within this 30-day period and you provide us, within this 30-day period, with reasonable evidence of such party's effort to correct the breach within a reasonable time period, then the cure period will run through the end of such reasonable time period;

(z) You are 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; or

(aa) You fail to meet the Pre-Opening Membership Requirement.

#### 14.2 Our Remedies After an Event of Default.

(a) Right to Terminate. If an Event of Default occurs, we may, at our sole election and without notice or demand of any kind, declare this Agreement and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon termination, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including without limitation any debts, obligations, or liabilities that you accrued prior to such termination.

(b) Other Remedies. If an Event of Default occurs, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(i) temporarily or permanently reduce the size of the Territory, in which event the restrictions on us and our Affiliates under Section 1.3 (Limited Territorial Protection) will not apply in the geographic area that was removed from the Territory;

(ii) temporarily remove information concerning the Studio from the System Website and/or stop your or the Studio's participation in any other programs or benefits offered on or through the System Website;

(iii) suspend your right to participate in one or more programs or benefits that the Brand Fund provides;

(iv) suspend our or our Affiliates' performance of, or compliance with, any of our or our Affiliates' obligations to you under this Agreement or any other agreement;

(v) require the temporary closure of the Studio until any defaults are cured and any underlying causes for such defaults are adequately addressed;

(vi) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(vii) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

(viii) enter the Studio's premises and assume the management of the Studio ourselves or appoint a third party (who may be our Affiliate) to manage the Studio. We or our appointee may charge you the Management Fee during the period of management. All funds from the operation of the Studio while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of the Studio will be charged to that account. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations the Studio incurs, or to any of your creditors for any products or services the Studio purchases, while managing it. You shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage the Studio and may, in our sole discretion, be prohibited from visiting the Studio so as to not interfere with its operations. Our (or our appointee's) management of the Studio will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and we will during each interval periodically discuss the Studio's status with you.

(c) Exercise of Other Remedies. Our exercise of our rights under Section 14.2(b) (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement, (ii) constitute an actual or constructive termination of this Agreement, or (iii) be our sole or exclusive remedy for your default. You must continue to pay all fees and otherwise comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under Section 14.2(b), we may thereafter terminate this Agreement without providing you with any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

**14.3 Termination By You.** You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. If we cannot reasonably correct the breach within this 60-day period but provide you, within this 60-day period, with reasonable evidence of our 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 you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this Section 14.3 (including by taking steps to de-identify the Studio or otherwise cease operations under this Agreement) will constitute an Event of Default by you.

## **Section 15 Your Obligations Upon Expiration or Termination.**

You covenant and agree that upon expiration (including as a result of our decision not to grant a Successor Term, your decision not to acquire a Successor Term, or the expiration of the applicable Term) or termination of this Agreement for any reason, unless we direct you otherwise, you must comply with each of the following provisions:

**15.1 Payment of Costs and Amounts Due.** You will pay upon demand all sums owing to us, our Affiliates, and our approved suppliers. If this Agreement is terminated due to an Event of Default, you will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against the Studio premises and any and all of the personal property, fixtures, equipment, and inventory that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after the Effective Date to make any filings and to execute such documents on your behalf of to perfect such lien. You

also must pay to us all damages, costs, and expenses, including reasonable attorneys' fees, that we incur after the termination or expiration of this Agreement related to enforcing the terms of this Agreement, including cost incurred in obtaining injunctive or other relief for the enforcement of any provision of this Section 15, whether or not we initiate a formal legal proceeding. Such damages, costs and expenses include reasonable accountants', attorneys', arbitrators' and related fees and expenses.

#### 15.2 Liquidated Damages.

(a) Amount. You agree that any termination of this Agreement before the expiration of the Term will deprive us of the benefit of the bargain we are entitled to receive under this Agreement. As a result, if this Agreement is terminated after the Studio opens, you must pay us, as liquidated damages for the loss of the benefit of the bargain we are entitled to receive, and not as a penalty, a lump-sum payment equal to the average monthly Royalty Fee you owed us during the 12 months before the termination date times the lesser of the remainder of the Term or 36 months. If less than 12 months have lapsed between the date the Studio opens and the termination date, the liquidated damages will be the average monthly Royalty Fee during the time between the date the Studio opens and the termination date, multiplied by 36. If the termination occurs before the Studio opens, you will forfeit the Franchise Fee paid and will not owe us any liquidated damages.

(b) Payment of Liquidated Damages. You will pay all amounts stated in this Section 15.2 within 30 days after the termination of this Agreement. You agree, and you direct any party construing this Agreement to conclusively presume, that the damages stated in this Section 15.2: (i) are true liquidated damages; (ii) are intended to compensate us for the harm we will suffer; (iii) are not a penalty; (iv) are a reasonable estimate of our probable loss resulting from your defaults, viewed as of the termination date; and (v) will be in addition to all other rights we have to obtain legal or equitable relief. We have the right to set off any credits, balances or amounts we owe to you against the amounts you owe under this Section 15.2. Discontinue Use of the System and the Intellectual Property. You 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.

15.4 Return of Proprietary Information. You must immediately return to us, at your expense, (i) all hard copies and electronic copies (capable of being returned) of the Proprietary Information, including the Manuals and Customer Information, and of materials bearing the Marks; and (ii) all other manuals, records, files, instructions, correspondence, and other materials relating to the operation of the Studio ("**Other Materials**") in the possession of any Franchisee Party. If Franchisee or its Owners have on their computer systems, e-mail accounts, or other digital storage systems or services copies of the Proprietary Information, any proprietary software, and/or Other Materials, they must immediately erase these copies. Franchisor must provide us with a certification attesting to the fact that all copies of the Proprietary Information, proprietary software, and Other Materials in Franchisor's control or the control of its officers, directors, Owners, employees, agents, and representatives have been returned or destroyed in accordance with this Section. The Franchisee Parties may not use any Proprietary Information or sell, trade, or otherwise profit in any way from any Proprietary Information at any time following the expiration or termination of this Agreement.

15.5 Cease Identification with Us. You must immediately take, and cause the Franchisee Parties to take, all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to, in accordance with our directions, cancel or transfer to us or our 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**”). You acknowledge that as between any of the Franchisee Parties and us and our Affiliates, we and our Affiliates have the sole rights to and interest in all Identifiers. If you fail to comply with this Section 15.5, you hereby authorize us and irrevocably appoint us or our designee as your 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 us. The telephone company, the postal service, registrars, Internet Service Providers listing agencies, and other providers may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer.

15.6 Our Right to Operate. We will have the right to immediately enter and take possession of the Studio to maintain continuous operation of the Studio, provide for orderly change of management and disposition of personal property, and otherwise protect our interests. Our right to possess and operate the Studio will continue until (i) we decline or fail to timely exercise our option to purchase the Studio or (ii) we have exercised our option to purchase the Studio and closed on such purchase. If we exercise the right to possess and operate the Studio, you must vacate the Studio promptly and completely, rendering all necessary assistance to us to enable us to take prompt possession and assume operations, and you will have no right to any revenue that we earn while operating the Studio. If you dispute the validity of our termination of this Agreement or our decision to not grant a Successor Term, we will nevertheless have the option, which you irrevocably grant, to operate the Studio pending the final, unappealed determination of the dispute under this Agreement. If an arbitrator or court of competent jurisdiction makes a final, unappealed determination that the termination of this Agreement or our failure to offer a Successor Term was not valid, we will make a full and complete accounting for the period during which we operated the Studio. We have the unrestricted right to assign or delegate this right to operate the Studio to an Affiliate or third party to operate the Studio in accordance with this Section.

15.7 Our Right to Purchase Studio Assets.

(a) Exercise of Option. Upon termination of this Agreement for any reason (other than your termination in accordance with Section 14.3 (Termination By You)) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of the Studio that we designate (the “**Purchased Assets**”). As a first step in exercising our option, we must give you written notice within 15 days after the date of termination or expiration of our intent to conduct due diligence (the “**Exercise Notice**”). We have the unrestricted right to exclude any assets we specify relating to the Studio from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect the Studio and its assets, to determine whether to exercise our option. If a Franchisee Party owns the Site, we may elect to include a fee simple interest in the Site as part of the Purchased Assets or, at our option, lease the Site from the Franchisee Party (or an Entity controlled by your Owner) for an initial ten-year term with one renewal term of five years (at our option) on commercially reasonable terms, which shall include the right to sublease the Site to another party. You and your Owners agree to cause your Affiliate or any Entity controlled by such Owner to comply with these requirements. If a

Franchisee Party leases the Site from an unaffiliated lessor, you agree (at our option) to cause the Franchisee Party to assign the Site Lease to us or to enter into a sublease for the remainder of the Site Lease term on the same terms (including renewal options) as the Lease.

(b) Operations Pending Purchase. If we do not exercise our right to operate the Studio, we may require you 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 we decide to decline our right to exercise this option (or the expiration of the option, if we fail to provide an Exercise Notice by the deadline) or (ii) the closing of our purchase. However, we may, at any time during that period, assume the management of the Studio ourselves or appoint a third party (who may be our Affiliate) to manage the Studio pursuant to the terms of Section 15.6 (Our Right to Operate).

(c) Purchase Price. The purchase price for the Purchased Assets will be their fair market value for use in the operation of a non-franchised Competitive 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, our brand image, any Proprietary Information or our other intellectual property rights, or participation in the network of Studios. For purposes of determining the fair market value of all equipment (including the exercise equipment and Technology System) used in operating the Studio, the equipment's useful life shall be determined to be no more than three years. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price.

(d) Closing. We will pay the purchase price at the closing, which will take place within 60 days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our Affiliates. We are entitled to all customary representations, warranties, and indemnities in our 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 your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (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 us), with all sales and transfer taxes paid by you; and (y) all of the Studio's licenses and permits which may be assigned or transferred. If you 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. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims (to the extent permitted by Applicable Laws) against us, our Affiliates, and our and their respective owners, officers, directors, employees, agents, representatives, successors, and assigns.

(e) Assignment. We may assign our rights under this Section 15.7 (Our Right to Purchase Studio Assets) to any individual or Entity (who may be our Affiliate), and that person or Entity will have all of the rights and obligations under this Section 15.7.

15.8 De-identification of the Site. If we do not exercise our option to acquire the Site Lease or the Site, you will make such modifications or alterations to the Site immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the Site from a Studio, including removing the signs, the Marks, and any Trade

Dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this Section, we 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. We may charge you, and you agree to pay us on our demand, up to 120% of our and our affiliates' costs and expenses in making such changes.

15.9 Reimbursement of Unused Sessions. In addition to any procedures that Applicable Laws require, we may require you to notify all of the Studio's customers of the termination or expiration of this Agreement and offer each of them the option to receive a refund of all unused prepaid Session credits, which you are solely responsible for refunding to them in a manner that we may specify. We must approve in writing the content of any such notice, prior to you contacting any of the Studio's customers, or may elect to send the notice on your behalf.

15.10 Promote Separate Identity. You will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a former Brand franchisee or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

15.11 Comply with Noncompete and Non-Disparagement. You and your Owners must comply with the covenant not to compete in Section 12 (Noncompete Covenants) and the non-disparagement covenant in Section 17.12 (Non-Disparagement).

15.12 Injunctive and Other Relief. You acknowledge that your failure to abide by the provisions of this Section 15 (Your Obligations Upon Expiration or Termination) will result in irreparable harm to us, and that our remedy at law for damages will be inadequate. Accordingly, you agree that if you breach any provisions of this Section 15, we are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

15.13 Covenant of Further Assurances. You must execute any legal document or termination agreement that we prescribe to effectuate the termination of this Agreement and shall furnish to us, within 30 days after the effective date of termination, written evidence satisfactory to us of your compliance with all of the foregoing obligations.

## **Section 16    Dispute Resolution and Governing Law.**

16.1 Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act or other federal law, this Agreement will be governed by, construed, and enforced in accordance with the laws of the State of Delaware, without regard to its conflict of laws principles, except that any state law (a) regulating the sale of franchises, licenses, or business opportunities, (b) governing the relationship of a franchisor and its franchisee, or (c) involving unfair or deceptive acts or practices will not apply unless its jurisdictional requirements are met independently without reference to this Section.

16.2 Mandatory Pre-Litigation Mediation. Except as otherwise provided in this Section, prior to filing any proceeding to resolve any dispute based upon, arising out of, or in any way connected with this Agreement, a party must submit the dispute for mediation.

(a) Conduct of Mediation. All parties must attend and participate in the mediation. It is the intent of the parties that mediation shall be held not later than 14 days after a

written request for mediation shall have been served on the other parties. The mediation will be held before one mediator selected by the parties, and if the parties cannot agree upon the mediator, then a mediator selected by the American Arbitration Association (“AAA”). The mediation shall not last more than one day and shall be held in the metropolitan area of our then-current principal place of business. The mediation shall be governed by the rules of the AAA.

(b) Post-Mediation. If we and you do not resolve our dispute, then thereafter any party may file for litigation or arbitration, as applicable in accordance with the terms of this Agreement.

(c) Exceptions to Mediation. The obligation to mediate shall not be binding upon either party with respect to claims relating to the Marks, the non-payment or underpayment of any monies due under this Agreement, the noncompetition covenants, or requests by either party for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute.

### 16.3 Arbitration.

(a) Procedure. Except as stated in Section 16.3(d) (Excepted Disputes), all disputes between you, your Affiliates, Owners, guarantors, and/or your or your Affiliates’ officers, directors, and employees, on the one hand, and us, our affiliates, and/or our or our affiliates’ officers, directors and employees, on the other hand, relating to this Agreement, our relationship with you, or your Studio will be resolved by binding arbitration. The arbitration proceeding shall be conducted by one arbitrator and in accordance with then-current Commercial Arbitration Rules of the AAA. All arbitration proceedings will be held at AAA’s offices or other suitable offices that we select in the metropolitan area in which our principal place of business is then located.

(b) Individual Actions. We and you agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between us and you may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section 16.3, if any court or arbitrator determines that this prohibition on class-wide arbitration is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 16.3, then the parties agree that this arbitration clause shall not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with Section 16.3(d) (Excepted Disputes).

(c) Relief. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys’ fees (on a solicitor and its own client basis) and costs, provided that the arbitrator may declare any Mark generic or otherwise invalid or, except as expressly provided in Section 16.5 (Mutual Waiver of Punitive Damages), award any special, consequential, exemplary, or punitive damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 16.5 below, any right to or claim for any special, consequential, exemplary, or punitive damages against the other).



(d) Excepted Disputes. The following disputes will not be resolved through arbitration unless we consent to arbitration: (i) disputes that arise under or are related to the Lanham Act, as now or later amended; (ii) disputes that otherwise relate to the ownership or validity of any of the Intellectual Property; (iii) disputes that involve enforcement of our intellectual property rights or protection of our Proprietary Information; or (iv) disputes related to the payment of sums you owe us or our affiliates. Any litigation under this subsection will be filed exclusively in the United States District Court for the district in which we have our principal place of business at the time of filing (or, if federal jurisdiction cannot be obtained, the state court in which we have our principal place of business at the time of filing), and you irrevocably consent to these courts' jurisdiction over you.

(e) Injunctive Relief. Notwithstanding our agreement to arbitrate, either party will have the right to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction with respect to any dispute subject to arbitration; provided, however, that such party must contemporaneously submit the dispute for arbitration on the merits as provided in this Section 16.3. In addition to any other relief available at law or equity, we will have the right to obtain restraining orders or temporary or permanent injunctions to: (i) enforce, among other matters, the provisions of this Agreement related to the System; (ii) enforce your obligations on termination or expiration of this Agreement; and (iii) prohibit any act or omission by you or your employees that is a violation of Applicable Laws or that threatens the Intellectual Property.

(f) Binding Decision. The decision and award of the arbitrator will be final, conclusive, and binding on all parties regarding any claims, counterclaims, issues, or accountings presented or pled to the arbitrator, and judgment on the award, including any partial, temporary or interim award, may be entered in any court of competent jurisdiction. The parties agree that the arbitrator may award interest from the date of any damages incurred for breach or other violation of this Agreement, and from the date of the award, until paid in full, at a rate to be fixed by the arbitrator, but in no event less than 2.5% per annum above the Citibank Preference Rate quoted for the corresponding periods, as reported in The Wall Street Journal, or the maximum rate permitted by applicable law, whichever is less.

**16.4 MUTUAL WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, YOU AND WE EACH WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, ARISING FROM THIS AGREEMENT OR ANY BUSINESS, ACTIVITIES, OR OPERATIONS UNDERTAKEN PURSUANT TO THIS AGREEMENT.**

**16.5 MUTUAL WAIVER OF PUNITIVE DAMAGES. EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 11 (INDEMNIFICATION), CLAIMS FOR YOUR INFRINGEMENT OF OUR INTELLECTUAL PROPERTY, AND CLAIMS FOR YOUR BREACH OF YOUR OBLIGATIONS UNDER SECTION 10 (PROPRIETARY INFORMATION) OF THIS AGREEMENT, NEITHER PARTY WILL BE ENTITLED TO RECOVER SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES UNDER THIS AGREEMENT.**

**16.6 MUTUAL WAIVER OF CLASS ACTIONS. YOU AND WE EACH WAIVE ANY RIGHT TO BRING ANY CLAIMS ON A CLASS-WIDE BASIS. EACH PARTY MUST BRING ANY CLAIMS AGAINST THE OTHER PARTY ON AN INDIVIDUAL BASIS AND MAY NOT JOIN ANY CLAIM IT MAY HAVE WITH CLAIMS OF ANY OTHER PERSON OR ENTITY OR OTHERWISE PARTICIPATE IN A CLASS ACTION AGAINST THE OTHER PARTY.**

16.7 Remedies Not Exclusive. Except as provided in Section 16.5 (Mutual Waiver of Punitive Damages), no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under Applicable Laws. Each and every such remedy will be in addition to, and not in limitation of or substitution for, every other remedy available at law or in equity or by statute or otherwise.

16.8 Limitations of Claims. Any and all claims arising out of or relating to this agreement or our relationship with you will be barred unless a legal proceeding is commenced in the proper forum within one year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claim, except for the following claims by us against you related to (i) any of your financial obligations (including the underpayment of any fees), (ii) the indemnity in Section 11 (Indemnification), (iii) your use of the Marks, (iv) your obligations under Section 10 (Proprietary Information) or Section 12 (Noncompete Covenants) of this Agreement, or (v) a Transfer. For the avoidance of doubt, the claims by us against you enumerated in (i) to (v) may be brought at any time.

16.9 Attorneys' Fees and Costs. You agree to reimburse us for all expenses we and our affiliates reasonably incur (including attorneys' fees): (i) to enforce the terms of this Agreement or any obligation owed to us by any of the Franchisee Parties (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim any of the Franchisee Parties assert against us on which we substantially prevail in court or other formal legal proceedings. We agree to reimburse you for all expenses you reasonably incur (including attorneys' fees): (a) to enforce the terms of this Agreement or any obligation owed to you by us (whether or not you initiate a legal proceeding, unless you initiate and fail to substantially prevail in such court or formal legal proceeding); and (b) in the defense of any claim we assert against you on which you substantially prevail in court or other formal legal proceedings

## **Section 17    Miscellaneous.**

17.1 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the Studio and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions in Appendix A, which are incorporated into this Agreement by this reference.

17.2 Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies that we adopt and implement may be unilaterally changed by us from time to time.

17.3 Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such party must explicitly state in writing an intent to waive such term or condition in order for the waiver to be effective. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly-situated franchisees in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

17.4 Importance of Timely Performance. Time is of the essence in this Agreement.

17.5 Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words “**include**,” “**including**,” and words of similar import shall be interpreted to mean “including, but not limited to” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

17.6 Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

17.7 Applicable Law Controlling. If the termination, renewal, or other provisions set forth in this Agreement are inconsistent with any Applicable Law, in effect as of the Effective Date, governing the relationship of us and franchisees, the provisions of such statute will apply to this Agreement, but only to the extent of such inconsistency.

17.8 Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including Sections 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), 12 (Noncompete Covenants), and 15 (Your Obligations Upon Expiration or Termination).

17.9 Consent. Whenever our prior written approval or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

17.10 Independent Contractor Relationship.

(a) Independent Nature of Relationship. This Agreement establishes an independent contractor relationship. This Agreement does not create, nor does any conduct by either party create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, joint employer, employee, or servant of each other for any purpose.

(b) No Authorization to Act on our Behalf. You are not authorized to (i) make any contract, agreement, warranty, or representation on our behalf or (ii) create any obligation, express or implied, on our behalf.

(c) Your Responsibility. Subject to your obligation to comply with System Standards and this Agreement, you acknowledge that you are solely responsible for (i) decisions related to the day-to-day operation of the Studio (including managing and controlling maintenance, safety, security, employment matters, and legal compliance), (ii) taking any actions you deem necessary to achieve your business objectives, (iii) all obligations and liabilities of, and for all loss or damage to, the Studio and your business, including any personal property or real

property, and (iv) all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of the Studio. Our retention and exercise of the right to inspect or approve certain matters with respect to the Studio and its operation and to enforce our rights exists only to the extent required to protect our interest in the System and the Marks. Neither the retention nor the exercise of such rights is for the purpose of establishing any control, or the duty to take control, of any matters which are clearly reserved to you, nor shall they be construed to do so. We shall not be construed to be jointly liable for any of your acts or omissions under any circumstances.

17.11 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to either party must be sent to the addresses set forth in Appendix A. Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally, upon attempted delivery when sent by registered or certified mail or overnight delivery service. All routine requests for approval related to day-to-day operations (and communications related to such requests) must be in writing but may be communicated via e-mail to the addresses provided by such other party.

17.12 Non-Disparagement. You agree not to (and to use your best efforts to cause your current and former owners, officers, directors, principals, agents, partners, employees, representatives, attorneys, owners' spouses and children, Affiliates, successors, and assigns not to) disparage or otherwise speak or write negatively, directly or indirectly, of us, our Affiliates, any of our or our Affiliates' directors, officers, employees, representatives, or Affiliates, current and former franchisees or developers of us or our Affiliates, the Brand, the System, any Studio or other business using the Marks, any other brand or service-marked or trademarked concept of us or our Affiliates, or which would subject the Brand or such other brands to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact the goodwill of us, the Brand, or such other brands.

17.13 Execution. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument. Documents executed, scanned, and transmitted electronically and electronic signatures shall be deemed original signatures for purposes of this Agreement and all related matters, with such scanned and electronic signatures having the same legal effect as original signatures.

17.14 Successors and Assigns. Except as expressly otherwise provided herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

17.15 No Third-Party Beneficiaries. Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

17.16 Delegation. We may delegate the performance of any or all of our obligations under this Agreement, and our right to exercise any of our rights under this Agreement, to an Affiliate, manager, agent, independent contractor, or other third-party. However, we will remain responsible for ensuring that such obligations are performed in accordance with the terms of this Agreement.

17.17 No Liability. You agree that none of our or our Affiliates' past, present or future directors, officers, employees, incorporators, members, partners, stockholders, subsidiaries, Affiliates, controlling parties, suppliers, agents, attorneys, representatives, or Entities under common control, ownership or management will have any liability for (i) any of our obligations or liabilities relating to or arising from this Agreement, (ii) any claim against us based on, in respect of, or by reason of, the relationship between you and us, or (iii) any claim against us based on any alleged unlawful act or omission of us.

17.18 Exercise of Our Business Judgment. We have the right, in our sole judgment, to operate, develop and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information readily available to us and our judgment of what is in our and/or our franchise network's best interests at the time our decision is made, regardless of whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision or the action we take promotes our financial or other individual interest.

17.19 Additional Terms; Inconsistent Terms. The parties may provide additional terms by including the terms in Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

## **Section 18 Your Representations and Acknowledgments.**

You (on behalf of yourself and your Owners) represent, warrant, and acknowledge as follows:

18.1 Truth of Information. The information (including without limitation all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made.

18.2 Due Authority. This Agreement has been duly authorized and executed by you or on your behalf and constitutes your valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally.

18.3 Terrorist Acts. You acknowledge that under applicable U.S. law, including Executive Order 13224, signed on September 23, 2001 (the "**Order**"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the date of this Agreement, neither no Franchisee Party is designated under the Order as a person with whom business may not be transacted by us, and that you: (i) do not, and hereafter will not, engage in any terrorist activity; (ii) are not affiliated with and do not support any individual or Entity engaged in, contemplating, or supporting terrorist activity; and (iii) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or Entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

18.4 Timely Receipt and Review of Agreement and Disclosure Document. If required by Applicable Laws, you received a FDD required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us. If we made any unilateral and material changes to the terms and conditions of the form of this Agreement that was included in the FDD (other than changes that arose out of negotiations that you initiated), you received a revised copy of this Agreement that included such changes and were informed of any material differences between this Agreement and the form included in the FDD at least seven calendar days before you executed this Agreement or any related agreements or paid any consideration to us.

18.5 Acknowledgements in Certain States. The following acknowledgements apply to all franchisees and Studios, except those that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(a) Understanding of Agreement and Disclosure Documents. You have read this Agreement and the FDD and have been given ample opportunity to consult with, and ask questions of, our representatives and your legal counsel and advisors regarding the documents.

(b) Your Acknowledgements. You acknowledge and agree that: (i) you have conducted an independent investigation of the business contemplated by this Agreement, recognize that it involves business risks, and recognize that making a success of a venture is largely dependent on your own business abilities; (ii) no assurance or warranty, express or implied, has been given to you by us or any of our affiliates as to the potential success of any business contemplated by this Agreement or the profits that may be achieved; (iii) there are no promises, commitments, "side deals," options, rights of first refusal, or other rights or obligations in connection with this Agreement except as expressly provided for in this Agreement; and (iv) the terms and covenants in this Agreement are reasonable and necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Studio, and to protect and preserve the goodwill of the Marks.

(c) No Reliance on Contrary Representations. You have no knowledge of any representations made about the franchise opportunity by us, our affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in our FDD or to the terms and conditions of this Agreement. You are not relying on any representations or warranties, express or implied, furnished by us or our representatives other than those expressly set forth in this Agreement and the FDD.

(d) Financial Performance Representations. Except as may be stated in the FDD, neither we, nor any of our affiliates, nor any of our or our affiliates' officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues, earnings, or profitability of any Studio or the anticipated revenues, earnings, or profitability of the business subject to the license or any other business operated by us, our licensees, our franchisees, or our affiliates. Any information you have acquired from other franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy

18.6 No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and Studios that are subject to the state franchise 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 you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.**

**[Signature page follows]**

**IN WITNESS WHEREOF**, upon signing below, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**APPENDIX A  
TO THE  
FRANCHISE AGREEMENT**

**FRANCHISEE-SPECIFIC TERMS**

1. **Effective Date:**
2. **Franchisee's Name:**
3. **Franchisee's State of Organization (if applicable):**
4. **Ownership of Franchisee (Recital C):** If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<b>Owner</b>	<b>Owner Address</b>	<b>Ownership Interest</b>
Sample:		
ABC Corporation	1 Main Street, Anytown, CA	100% interest in Franchisee
- John Smith	1 Elm Street, Anytown, CA	25% interest in ABC
- Jane Smith	1 Elm Street, Anytown, CA	25% interest in ABC
- XYZ, Inc.	10 Oak Street, Anytown, CA	50% interest in ABC
-- Joe Doe	10 Oak Street, Anytown, CA	100% interest in XYZ

5. **Site Selection Area (Section 1.1):**
6. **Operating Principal (Section 1.4):**
7. **Designated Manager (Section 1.4):**
8. **Franchise Fee (Section 3.1):**
9. **Technology Fee as of the Effective Date (Section 3.4):** \$850 per month (\$750 per month during the presales period that precedes the Opening Date)
10. **Initial FF&E Payment (Section 3.5):**
11. **Presale Kit Payment (Section 3.6):** \$6,000, plus our actual shipping costs
12. **Initial Retail Inventory Kit Payment (Section 3.7):** \$6,000, plus our actual shipping costs
13. **Pre-Opening Membership Requirement (Section 4.5):** Prior to opening the Studio, you must have (a) at least 200 members that have signed membership agreements or (b) the number of membership agreements signed by members necessary to generate at least \$25,000 in recurring monthly Gross Sales.

**14. Competitive Business (Section 12.1):** A “**Competitive Business**” means: (i) any gymnasium, studio, athletic or fitness center, health club, exercise, aerobics facility, or similar fitness or exercise facility or business, (ii) any business that offers Pilates-related training or products, services, or Sessions that are similar to those offered by a Studio, and/or (iii) any Entity that grants franchises or licenses for any of the businesses in (i) or (ii).

**15. Notices (Section 17.11):**

The notice address for Franchisor shall be:

Pilates Addiction Franchisor LLC  
Attn: Trevor Lucas, Chief Financial Officer  
4000 MacArthur Blvd., Suite 800  
Newport Beach, California 92660  
Email: trevor@sequelbrands.com

The notice address for Franchisee shall be:

Franchisee:  
Attn:  
Address:  
Email:

**16. Additional Terms; Inconsistent Terms (if any) (Section 17.19):**

**A. Section 3.11 (Training Fee)** is amended by deleting that Section and replacing it with the following:

3.11 Training Fee. There is no charge for you (or your Operating Principal, if you are an Entity) to attend our initial training program; however, we reserve the right to charge our then-current initial training fee (the “**Training Fee**”), which shall be no more than \$1,000 per day, for your initial Designated Manager to attend our initial training program. If your representatives attend a subsequent initial training program, we may also charge our Training Fee for each representative that attends such training, which shall be no more than \$1,000 per day per trainee. You acknowledge that we have no obligation to refund the Training Fee, in whole or in part, for any reason.

**B. Section 5 (Training)** is amended by adding the following new Section 5.8 to the end of that Section:

5.8 Instructor Onboarding. In addition to satisfying our eligibility criteria, as stated in the Manuals, each individual that will be providing Pilates instruction at the Studio must attend and successfully complete, as determined by us in our sole discretion, our instructor onboarding program (“**Instructor Onboarding**”) before providing any Pilates instruction at the Studio. As of the Effective Date, Instructor Onboarding generally comprises a three-day intensive in-person training program and approximately 135 hours of online instruction. We conduct Instructor Onboarding at those locations and at those times that we determine. You must pay us our then-current fee for each instructor attending Instructor Onboarding (the “**Instructor Onboarding Fee**”). Currently, the Instructor Onboarding Fee is \$4,000 for each attending instructor, plus an additional \$1,000 per instructor that we determine, in our sole discretion, requires supplemental training. We may

change the Instructor Onboarding Fee, provided that it will not exceed up to \$6,000 for each instructor, plus up to \$2,000 for any instructor requiring supplemental training.

**B. Section 6.5(a) (Studio Appearance – Maintenance)** is amended by the adding the following to the end of that Section:

Without limiting in any manner the generality of this Section 6.5(a), you must participate in our Equipment Refresh Program, under which we will periodically require you, for the purpose of maintaining System Standards, to replace or upgrade certain designated Operating Assets and other Studio items according to a specified replacement schedule. You must purchase the applicable Operating Assets and Studio items from us and/or our Affiliate, as we require, and pay our or our Affiliate's then-current prices for the applicable Operating Assets and Studio items, using the payment methods we designate. The list of designated Operating Assets and Studio items and the designated replacement schedule and inspection schedule for each are set forth in the Manuals. We will ship the designated Operating Assets and Studio items to you automatically; no separate purchase orders or approvals from you will be required.

In addition, pursuant to the Equipment Refresh Program, you must perform monthly inspections of the designated Operating Assets and Studio items in accordance with our designated inspection schedule and maintain the maintenance and inspection documentation that we require.

We may, in our discretion, modify any aspect of the Equipment Refresh Program, including the Studio equipment and items included or excluded, the designated replacement schedule, and/or the designated inspection schedule, by providing notice to you.

Signature Page for Appendix A (Franchisee-Specific Terms)

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**FRANCHISEE**

\_\_\_\_\_  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Schedule 1 to Appendix A of the Franchise Agreement**

**Franchisee-Specific Terms**

*(to be completed after site selection and acceptance)*

**1. Site (Section 4.1):**

**2. Territory (Section 4.2):** The Territory, if any, will be specified by us by written notice to you after the Site has been selected and will be an area that we specify surrounding the Site.

Pilates Addiction Franchisor LLC agrees that, effective on the date specified below, **(i)** the address listed above is hereby accepted by us as the Site pursuant to Section 4.1 (Site Selection) of this Agreement; and **(ii)** the area listed above shall be the Territory of this Agreement pursuant to Section 4.2 (Definition of the Territory) of this Agreement.

**PILATES ADDICTION FRANCHISOR LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**Acknowledged and Agreed:**

\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**APPENDIX B  
TO THE  
FRANCHISE AGREEMENT**




**Marks**

**Registered Marks**

We have registered the following Mark on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration No.	Registration Date
WUNDAFORMER	4,232,312	October 30, 2012;

We have filed applications to register the following Marks on the Principal Register of the USPTO:

Mark	Application No.	Application Date
	99,148,928	April 22, 2025
	99,148,931	April 22, 2025
	99,148,935	April 22, 2025
PILATES ADDICTION	99,148,923	April 22, 2025

**APPENDIX C  
TO THE  
FRANCHISE AGREEMENT**

**PILATES ADDICTION FRANCHISOR LLC  
PAYMENT AND PERFORMANCE GUARANTEE**

In order to induce Pilates Addiction Franchisor LLC (“**Franchisor**”) to enter into a Pilates Addiction™ Franchise Agreement (the “**Franchise Agreement**”) by and between Franchisor and the Franchisee named in the Franchise Agreement dated \_\_\_\_\_ to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached (“**Franchisee**”), the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

**1. Guarantee of Payment and Performance.** The Guarantors jointly and severally unconditionally guarantee to Franchisor and its Affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the “**Guaranteed Liabilities**”). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Franchise Agreement and this Guarantee.

**2. Waivers by Guarantors.** The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

**3. Term: No Waiver.** This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Franchisee to Franchisor and its Affiliates have been paid and satisfied in full, or (ii) the Franchise Agreement and all obligations of Franchisee thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

**4. Other Covenants.** Each of the Guarantors agrees to comply with the provisions of Sections 8 (Records, Reports, Audits, and Inspections), 9 (Intellectual Property), 10 (Proprietary Information), 11 (Indemnification), and 12 (Noncompete Covenants) of the Franchise Agreement as though each such Guarantor were the “Franchisee” named in the Franchise

Agreement and agrees that the undersigned will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and will not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

**5. Dispute Resolution.** Section 16 (Dispute Resolution and Governing Law) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Franchisee" referred to in the Franchise Agreement.

**6. Miscellaneous.** This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

**IN WITNESS WHEREOF**, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

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



**APPENDIX D  
TO THE  
FRANCHISE AGREEMENT**

**LEASE RIDER**

**THIS LEASE RIDER** is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between Pilates Addiction Franchisor LLC ("**Company**"), \_\_\_\_\_ ("**Franchisee**"), and \_\_\_\_\_ ("**Landlord**").

**WHEREAS**, Company and Franchisee are parties to a Franchise Agreement dated \_\_\_\_\_ (the "**Franchise Agreement**"); and

**WHEREAS**, the Franchise Agreement provides that Franchisee will operate a Pilates Addiction™ Studio ("**Studio**") at a location that Franchisee selects and Company accepts; and

**WHEREAS**, Franchisee and Landlord propose to enter into the lease to which this Rider is attached (the "**Lease**"), pursuant to which Franchisee will occupy premises located at \_\_\_\_\_

\_\_\_\_\_ (the "**Premises**") for the purpose of constructing and operating the Studio in accordance with the Franchise Agreement; and

**WHEREAS**, the Franchise Agreement provides that, as a condition to Company's authorizing Franchisee to enter into the Lease, the parties must execute this Lease Rider;

**NOW, THEREFORE**, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Studio and for no other purpose.
2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee's installation and use of such trademarks, service marks, signs, decor items, color schemes, and related components of the Pilates Addiction™ system as Company may from time to time prescribe for the Studio.
3. Landlord agrees to furnish Company with copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, at the same time it sends such letters and notices to Franchisee. Notice shall be sent to Company by the method(s) as stated in the lease to:

Pilates Addiction Franchisor LLC  
Attn: Trevor Lucas, Chief Financial Officer  
4000 MacArthur Blvd., Suite 800  
Newport Beach, California 92660  
Email: trevor@sequelbrands.com

4. Company will have the right, without being guilty of trespass or any other crime or tort, to enter the Premises at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the Pilates Addiction™ system and marks, (ii) to cure any default under the Franchise Agreement or under the Lease, or (iii) to remove the distinctive elements of the Pilates Addiction™ trade dress upon the Franchise Agreement's expiration or termination. Neither Company nor Landlord will be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company takes in accordance with this provision. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.
5. Franchisee will be permitted to assign the Lease to Company or its designee upon the expiration or termination of the Franchise Agreement. Landlord consents to such an assignment and agrees not to impose any assignment fee or similar charge, or to increase or accelerate rent under the Lease, in connection with such an assignment.
6. If Franchisee assigns the Lease to Company or its designee in accordance with the preceding paragraph, the assignee must assume all obligations of Franchisee under the Lease from and after the date of assignment, but will have no obligation to pay any delinquent rent or to cure any other default under the Lease that occurred or existed prior to the date of the assignment.
7. Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.
8. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Lease Rider without Company's prior written consent.
9. The provisions of this Lease Rider will supersede and control any conflicting provisions of the Lease.
10. Landlord acknowledges that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company.

**[Signature page follows]**

**IN WITNESS WHEREOF**, the parties have executed this Lease Rider of the date first above written:

**COMPANY:**

**PILATES ADDICTION FRANCHISOR LLC**

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

**LANDLORD:**

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

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

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

**EXHIBIT B  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Development Agreement**

(attached)



**PILATES ADDICTION™**

**DEVELOPMENT AGREEMENT**

**between**

**PILATES ADDICTION FRANCHISOR LLC**

**and**

\_\_\_\_\_

**Developer:** \_\_\_\_\_

**Development Area:** \_\_\_\_\_

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Appendix A – Franchisee-Specific Terms

Appendix B – Payment and Performance Guarantee

**PILATES ADDICTION™**  
**DEVELOPMENT AGREEMENT**

THIS AGREEMENT (this “**Agreement**”) is made and entered into as of the date set forth on Appendix A of this Agreement (the “**Effective Date**”) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between Pilates Addiction Franchisor LLC, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Agreement, “**we**,” “**us**,” and “**our**” refers to Pilates Addiction Franchisor LLC. “**You**” and “**your**” refers to Franchisee.

**RECITALS**

A. Simultaneously with signing this Agreement, we and you (or your Affiliated Entity (as defined below)) are signing a franchise agreement that is effective as of the Effective Date (the “**Initial Franchise Agreement**”) for the development and the operation of the first Pilates Addiction™ studio (a “**Studio**”) to be developed by you (or your Affiliated Entity) within the Development Area (as defined below). Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement.

B. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on Appendix A of this Agreement.

C. We desire to grant to you the right to develop multiple Studios within the Development Area in accordance with the Development Schedule (defined below), provided that you also must execute our then-current standard franchise agreement (each, a “**Franchise Agreement**”) for each such Studio, which will govern the development and operation of such business.

D. You desire to develop multiple Studios within the Development Area in accordance with the Development Schedule and to timely execute Franchise Agreements to govern the development and operation of such Studios.

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, the parties hereby agree as follows:

**1. Grant of Development Rights and Development Area.**

**1.1 Grant of Development Rights.** Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to develop and open in the area designated on Appendix A to this Agreement (the “**Development Area**”) the number of Studios specified in Appendix A in accordance with the development schedule specified in Appendix A (the “**Development Schedule**”). This Agreement does not give you any right to franchise, license, subfranchise, or sublicense others to develop, open, or operate Studios. Only you (and/or your Affiliated Entities) have the right to develop and open Studios pursuant to this Agreement. This Agreement does not grant you any right to use the Marks or the System (as such terms are defined in the Initial Franchise Agreement). Rights to use the Marks and the System are granted only by the Franchise Agreements.

**1.2 Delegation to Affiliate-Owned Businesses.** At your request, the Franchise Agreement for any Studio in the Development Area may be signed by an Entity formed by you to develop and operate the Studio (an “**Affiliated Entity**”) (and which Studio shall count as one of your Studios for the purpose of satisfying the Development Schedule), provided all of the following conditions are met: (a) you own at least 51% of the direct ownership interests in such Affiliated Entity; (b) the Affiliated Entity conducts no business other than the operation of one or more of the Studios; (c) we determine, in our sole discretion, the Affiliated Entity and all owners of a legal or beneficial ownership interest in the Affiliated Entity meet our then-current criteria for franchisees and franchisee owners; and (d) in addition to the guarantee requirements set forth in the applicable Franchise Agreement, you and all of your Owners sign a personal guarantee and agree to assume full and unconditional liability for, and agree to perform, all obligations, covenants and agreements contained in the Franchise Agreement.

## **2. Fees.**

**2.1 Franchise Fee.** For each Studio that you develop pursuant to this Agreement, the initial franchise fee due under the applicable Franchise Agreement (the “**Franchise Fee**”) for such Studio will be specified in Appendix A.

**2.2 Development Fee.** Upon execution of this Agreement, you must pay us a development fee in the amount specified on Appendix A (the “**Development Fee**”), which will be equal to 100% of the aggregate of all of the Franchise Fees due for the Studios that you commit to develop under this Agreement.

**2.3 Application of Fee and Non-refundability.** The Development Fee will be credited towards the Franchise Fee due for each Studio that you develop pursuant to this Agreement. Thus, there shall be no additional Franchise Fee due under each Franchise Agreement signed pursuant to this Development Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not develop Studios in accordance with the Development Schedule.

## **3. Development Obligations.**

### **3.1 Development of Studios.**

**(a) Initial Studio.** You must sign your Initial Franchise Agreement at the same time that you sign this Agreement and comply with the site selection procedures set forth in Section 4.1 (Site Selection) of the Initial Franchise Agreement.

**(b) Subsequent Studios.** For each additional Studio that you have the right to develop in accordance with the Development Schedule, you must sign our then-current Franchise Agreement, which may have materially different terms than the Initial Franchise Agreement, including different fees (though no Franchise Fee shall be owed under such agreement) and territorial rights. You must sign a Franchise Agreement for a Studio before you may execute a lease, sublease, or purchase agreement intended for such Studio or commence construction of such Studio. We will not be obligated to offer you a Franchise Agreement for a Studio unless:

1. we have complied with all applicable franchise registration and disclosure laws and, if required by applicable laws, have provided you with a copy of our then-current Franchise Disclosure Document; and



2. you and any Affiliated Entities have fully complied with any Franchise Agreements that are in effect.

**3.2 Deadlines.** You must enter into Franchise Agreements and develop and open Studios in accordance with the deadlines set forth in the Development Schedule. **Signing Deadline.** By each “**Signing Deadline**” specified in the Development Schedule, you must have signed our then-current standard form of Franchise Agreement for the applicable number of Studios in the Development Area specified on the Development Schedule. **Opening Deadline.** By each “**Opening Deadline**” specified in the Development Schedule, you must have the applicable number of Studios in the Development Area open and operating. **Discretionary Extension.** We may, in our sole discretion, extend any Signing Deadline or any Opening Deadline, which we may condition on your payment of an Extension Fee and execution of a general release. The “**Extension Fee**” for each Studio will be \$2,500 per month (or portion of a month) that the Signing Deadline or Opening Deadline for such Studio is extended. Any extension that we grant you (or your Affiliated Entity) will apply only to the Studios for which you (or your Affiliated Entity) obtained the extension and will not extend, delay, or otherwise impact any other deadline under the Development Schedule. **Disclosure Extension.** If you are unable to execute a Franchise Agreement by the Signing Deadline because we are unable to timely deliver a required Franchise Disclosure Document (due to any lapse or expiration of our franchise registration, because we are in the process of amending such documents or registration, or for any other reason), we will adjust such Signing Deadline and Opening Deadline for the applicable Studio to take into consideration the date on which we were able to provide you with a Franchise Disclosure Document, without requiring payment of an Extension Fee or the execution of a general release. **Damaged Businesses.** If a Studio is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (“**Destruction Event**”). You must diligently work to repair and restore the Studio to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Studio is closed due to a Destruction Event, the business will continue to be deemed a “Studio in operation” for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Studio (i) is closed in a manner other than those described in this Section 3.2(e) or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies). **Development Area.**

**4.1 Limited Territorial Protection.** If you (and your Affiliated Entities, as applicable) are fully complying with all of your (and their) obligations under this Agreement, the Initial Franchise Agreement, and all other franchise agreements then in effect between us and you (and your Affiliated Entities, as applicable), we and our Affiliates will not – except with respect to Studios proposed to be located or within Non-Traditional Locations (as defined in the Initial Franchise Agreement) – establish or operate, or license another person or Entity to establish or operate, Studios having their physical locations within the Development Area during the term of this Agreement.

**4.2 No Other Restriction on Us or Our Affiliates.** The location exclusivity described in Section 4.1 is the only restriction on our (and our Affiliates’) activities within the Development Area during the term of this Agreement. You acknowledge and agree that we and our Affiliates have the right to engage, and license third parties to engage, in any other activities of any nature whatsoever within and throughout the Development Area, including, without limitation, the types of activities in which we and our Affiliates reserve the right to engage in a Studio’s “Territory” under Section 1.3 (Limited Territorial Protection) of the Initial Franchise Agreement.

## 5. **Term.**

Unless this Agreement is terminated sooner as provided in other sections of this Agreement, this Agreement expires at midnight on the earlier of (i) the last Opening Deadline date listed on the Development Schedule, or (ii) the opening of the last Studio to be developed pursuant to the Development Schedule (the “**Expiration Date**”). Upon the expiration or termination of this Agreement, we and our Affiliates have the right, without any restrictions whatsoever, to: (a) develop and operate, and license third parties to develop and operate, Studios having their physical locations within the Development Area, subject only to your (or an Affiliated Entity’s) rights within a Territory under a Franchise Agreement with us then in effect; and (b) continue to engage in any other activities that we (and our Affiliates) desire within and throughout the Development Area.

## 6. **Termination.**

**6.1 Events of Default.** Any one or more of the following constitutes an “**Event of Default**” under this Agreement:

(a) You (or your Affiliated Entities) fail to execute the applicable number of required Franchise Agreements by any Signing Deadline specified in the Development Schedule;

(b) You (or your Affiliated Entities) fail to have open and operating the applicable number of required Studios specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;

(c) You, your Owners, or your Affiliates breach or commit a default under any Franchise Agreement or other agreement executed with us or our Affiliates (a “**Related Agreement**”) and we or our Affiliates (i) terminate such Related Agreement or (ii) have the right to terminate such Related Agreement, even if we do not exercise such termination right; or

(d) You, your Owners, or your Affiliates breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 8 (Noncompete Covenants).

### **6.2 Our Remedies.**

(a) **Termination.** If any Event of Default occurs under Section 6.1, we may, at our sole election, declare this Agreement and any and all other rights granted to you, and restrictions imposed on us, under this Agreement to be immediately terminated and of no further force or effect. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including, without limitation, any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Studios in accordance with the Development Schedule will not, in itself, constitute cause for us to terminate any previously-executed Franchise Agreement.

(b) **Other Remedies.** If any Event of Default occurs under Section 6.1, in lieu of termination, we may at our option, and in our discretion, unilaterally modify the Development Area and/or modify the Development Schedule to decrease the number of

Studios required to be developed under this Agreement by written notice to you, and such modification shall be effective immediately upon receipt of such written notice from us to you. If we reduce your Development Area or your Development Schedule due to an Event of Default, we will not be obligated to refund any portion of the Development Fee to you.

## **7. Transfers.**

**7.1 Transfers by You.** This Agreement and the rights granted to you under this Agreement are personal to you. Neither this Agreement, nor any of the rights granted to you hereunder, nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. As a condition of approving an assignment, we may require you or the transferee to comply with any conditions that we specify, including payment of a transfer fee equal to \$10,000 for each Studio remaining to be developed under this Agreement at the time of transfer and execution of a general release. If you or your Owners intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in Section 13.9 (Our Right of First Refusal) of the Initial Franchise Agreement.

**7.2 Transfers by Us.** We have the right to change our ownership or form and/or assign this Agreement to a third party without restriction. Specifically and without limiting the foregoing, we have the right to sell our assets (including this Agreement), the Marks, or the franchise system to a third party; offer our ownership interests privately or publicly; merge, acquire other business entities, or be acquired by another Entity; and/or undertake a refinancing, recapitalization, leveraged buyout, securitization, or other economic or financial restructuring.

## **8. Noncompete Covenants.**

Section 12 (Noncompete Covenants) of the Initial Franchise Agreement is hereby incorporated by reference and shall apply under this Agreement to you and your Owners, except the post-term noncompete covenant in Section 12.2 (After Termination, Expiration, or Transfer) of the Initial Franchise Agreement shall apply to any Competitive Business that is located within (i) the Development Area, (ii) a 10-mile radius of the Development Area, or (iii) a 10-mile radius of the location of any other Studio that is operating or under development at the time of such expiration, termination, or transfer. The Owners must personally bind themselves to this Section 8 by signing our current form of Payment and Performance Guarantee, which is attached as Appendix B to this Agreement.

## **9. Indemnification.**

You agree at all times to defend at your own cost, and to indemnify and hold harmless, to the fullest extent permitted by law, the Indemnified Parties (as defined in the Initial Franchise Agreement) from and against, and to reimburse any one or more of the Indemnified Parties for, all Losses (as defined in the Initial Franchise Agreement) directly or indirectly arising out of or relating to (i) any acts or omissions related to the development of Studios under this Agreement, (ii) the purchase, lease, or sublease of any site by you, your Owners, or your Affiliated Entities and any purchase, lease, or sublease agreements executed in connection therewith, or (iii) any actual or alleged breach of this Agreement by you, your Owners, or your Affiliated Entities. Section 11.2 (Indemnification Procedure) of the Initial Franchise Agreement is hereby incorporated by reference and shall apply to all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and

directly or indirectly arising out of or relating to any matter described in this Section 9 (which shall all be incorporated into the definition of "Proceedings").

**10. Incorporation of Other Terms.**

Section 10 (Proprietary Information), Section 16 (Dispute Resolution and Governing Law), Section 17 (Miscellaneous), and Section 18 (Your Representations and Acknowledgements) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

**11. Owners and Payment and Performance Guarantee.**

You represent that Appendix A fully and accurately identifies each of your Owners as of the Effective Date. As a condition to us entering into this Agreement, from time to time during the term of this Agreement as we may require, you must cause each Owner to bind themselves to certain terms of this Agreement by executing and delivering our then-current form of Payment and Performance Guarantee.

**12. Miscellaneous.**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties with respect to its subject matter and supersede any and all prior negotiations, understandings, representations, and agreements with respect to its subject matter. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument.

**13. Additional Terms; Inconsistent Terms.**

The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control.

*[Signature Page Follows]*

Signature Page for Development Agreement

**IN WITNESS WHEREOF**, we and you have signed and delivered this Agreement as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**[NAME OF ENTITY]**

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

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

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

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

**APPENDIX A  
TO THE  
DEVELOPMENT AGREEMENT**

**FRANCHISEE-SPECIFIC TERMS**

1. **Effective Date:**
2. **Franchisee's Name:**
3. **Franchisee's State of Organization** *(if applicable)*:
4. **Franchisee's Principal Place of Business:**
5. **Ownership of Franchisee (Recital C):** If you are an Entity, the following individual and Entities constitute all of your Owners:

Owner	Owner Address	Ownership Interest
Sample:		
ABC Corporation	1 Main Street, Anytown, CA	100% interest in Franchisee
- John Smith	1 Elm Street, Anytown, CA	25% interest in ABC
- Jane Smith	1 Elm Street, Anytown, CA	25% interest in ABC
- XYZ, Inc.	10 Oak Street, Anytown, CA	50% interest in ABC
-- Joe Doe	10 Oak Street, Anytown, CA	100% interest in XYZ

6. **Development Area (Section 1):** [attach map if necessary] (If there is any inconsistency between a narrative description and a pictorial identification of the Development Area, the narrative description of the Development Area will prevail.
7. **Franchise Fee for each Studio developed pursuant to this Development Agreement (Section 2.1):** \$\_\_\_\_\_.
8. **Development Fee (Section 2.2):** \$\_\_\_\_\_.

9. **Development Schedule (Section 3):** During the term of this Agreement, you agree to establish and operate a total of \_\_\_\_ Studios in the Development Area, including the Studio that is the subject of the Initial Franchise Agreement, according to the following Development Schedule:

<b>Required Number of Studios</b>	<b>Signing Deadline: Date by which You Must Sign the Franchise Agreement for the Applicable Studio(s)</b>	<b>Opening Deadline: Date by which Applicable Studio(s) Must Be Open for Business</b>	<b>Required Cumulative Number of Franchised Studios To Be Open and Operating in the Development Area by the Applicable Opening Deadline</b>

10. **Additional Terms; Inconsistent Terms (Section 13):**

Signature Page for Development Agreement Appendix A (Franchisee-Specific Terms)

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**[NAME OF ENTITY]**

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

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

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

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



**APPENDIX B  
TO THE  
DEVELOPMENT AGREEMENT**

**PILATES ADDICTION FRANCHISOR LLC  
PAYMENT AND PERFORMANCE GUARANTEE**

In order to induce Pilates Addiction Franchisor LLC ("**Franchisor**") to enter into and to continue to maintain a Development Agreement by and between Franchisor and \_\_\_\_\_ ("**Franchisee**") dated \_\_\_\_\_ to develop Studios (as defined below) located in \_\_\_\_\_ (the "**Development Agreement**"), the undersigned (collectively referred to as the "**Guarantors**" and individually referred to as a "**Guarantor**") have executed this guarantee (the "**Guarantee**") and covenant and agree as follows:

1. **Defined Terms.** All references to "Franchisor" in this Guarantee shall be deemed to include its Affiliates (as defined below), its successors, and its assigns. All references to the "Development Agreement" in this Guarantee shall include all extension or modifications to such agreement. All references to the "**Initial Franchise Agreement**" in this Guarantee refer to that certain Franchise Agreement dated the same date as the Development Agreement, pursuant to which Franchisor granted Franchisee the right to develop and operate one Studio (as defined below) in the Development Area (as defined below). All capitalized terms not defined herein shall have the meanings given to them in the Initial Franchise Agreement.

2. **Guarantee of Payment and Performance.** The Guarantors jointly and severally unconditionally guarantee the full, prompt, and complete payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (collectively, the "**Guaranteed Liabilities**"). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately pay or perform (as applicable) such Guaranteed Liabilities.

3. **Independent Obligations.** The obligations of the Guarantors are independent of the obligations of Franchisee, and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchisee or whether Franchisee is joined in any such action.

4. **Enforcement Costs.** If Franchisor (a) engages legal counsel in connection with any failure by any Guarantor to comply with this Guarantee or (b) is required to enforce this Guarantee in a judicial or arbitration proceeding and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding.

5. **Right to Bind.** If the Franchisee is an Entity, (a) Franchisor shall not be obligated to inquire into the power or authority of Franchisee or its officers, directors, agents, managers, representatives, employees or other persons of Entities acting or purporting to act on

Franchisee's behalf and (b) any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed under this Guarantee. Where the Guarantors are Entities, it shall be conclusively presumed that (i) the Entities and all shareholders, partners, members and other owners of such Entities, and all officers, directors, agents, managers, representatives, employees or other persons of Entities acting on their behalf, have the express authority to bind such Entities, (ii) such Entities have the express power to act as the Guarantors pursuant to this Guarantee, and (iii) such action directly promotes the business and is in the interest of such Entities.

6. **Right to Enforce.** This Guarantee is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

7. **Term.** This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of the date when (i) all Guaranteed Liabilities of Franchisee to Franchisor and its Affiliates have been paid and satisfied in full or (ii) the Development Agreement and all obligations of Franchisee under such agreement expire.

8. **Waivers by Guarantors.** The Guarantors each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: (a) notice of acceptance hereof; (b) notice of all contracts and commitments; (c) notice of the existence or creation of any liabilities under the Development Agreement and of the amount and terms thereof; and (d) notice of all defaults, disputes, or controversies between Franchisee and Franchisor resulting from or arising out of the Development Agreement or otherwise, and any resulting settlements, compromises, or adjustments.

9. **No Waiver.** No delay or failure on Franchisor's part in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

10. **Successors and Assigns.** This Guarantee shall be enforceable by and against the respective administrators, executors, heirs, successors, and assigns of the Guarantors. The death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors under this Guarantee.

11. **Nondisclosure Covenant.** Each of the Guarantors agrees to personally comply with, and personally be liable for the breach of, all of the provisions of Section 10 (Proprietary Information) of the Initial Franchise Agreement, including those related to the nondisclosure and protection of Proprietary Information, as though each such Guarantor were the "Franchisee" named in the Initial Franchise Agreement.

12. **Noncompete Covenant.** Each of the Guarantors agrees to personally comply with, and personally be liable for the breach of, all of the provisions of Section 8 (Noncompete Covenants) of the Development Agreement, including both the in-term and post-term noncompete, as though each such Guarantor were the "Franchisee" named in the Development Agreement.

13. **Other Covenants.** Each of the Guarantors also agrees to personally comply with, and personally be liable for the breach of, Sections 7 (Assignment), 9 (Indemnification), and 10 (Incorporation of Other Terms) of the Development Agreement as though each such Guarantor were the “Franchisee” named in the Development Agreement. Each of the Guarantors will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Development Agreement and will not take any action that would cause Franchisee to be in breach of the Development Agreement.

14. **Dispute Resolution.** Section 16 (Dispute Resolution and Governing Law) of the Initial Franchise Agreement is hereby incorporated by reference and will be applicable to any and all disputes between Franchisor and any of the Guarantors, as though the Guarantors were the “Franchisee” referred to in the Initial Franchise Agreement.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed and delivered this Guarantee as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

**EXHIBIT C  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Sequel Brands Holdings, LLC Financial Statements and Guarantee**

(attached)



Report of Independent Auditors  
and Financial Statements

**Sequel Brands Holdings, LLC**

April 30, 2025

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## **Report of Independent Auditors**

To the Member  
Sequel Brands Holdings, LLC

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Sequel Brands Holdings, LLC, which comprise the balance sheet as of April 30, 2025, and the related statements of operations and member's equity, and cash flows for the period from April 8, 2025 (inception) through April 30, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sequel Brands Holdings, LLC, as of April 30, 2025, and the results of its operations and its cash flows for the period from April 8, 2025 (inception) through April 30, 2025 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 (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 Sequel Brands Holdings, 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.

#### ***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 Sequel Brands Holdings, 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sequel Brands Holdings, 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 Sequel Brands Holdings, LLC's ability to continue as a going concern for a reasonable period of time.

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



Los Angeles, California  
May 2, 2025

## **Financial Statements**

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**Sequel Brands Holdings, LLC**  
**Balance Sheet**  
**April 30, 2025**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,000,000
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Total assets	<u>\$ 1,000,000</u>
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**LIABILITIES AND MEMBER'S EQUITY**

**TOTAL LIABILITIES**

Current liabilities	<u>\$ -</u>
---------------------	-------------

Total liabilities	<u>-</u>
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**MEMBER'S EQUITY**

	<u>\$ 1,000,000</u>
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Total liabilities and member's equity	<u>\$ 1,000,000</u>
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See accompanying notes.

**Sequel Brands Holdings, LLC**  
**Statement of Operations and Member's Equity**  
**Period from April 8, 2025 (inception) through April 30, 2025**

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REVENUES	\$ -
OPERATING EXPENSES	
General and administrative	-
NET INCOME	<u>\$ -</u>
MEMBER'S EQUITY	
April 8, 2025 (inception)	\$ -
Contribution from Member	<u>1,000,000</u>
April 30, 2025	<u>\$ 1,000,000</u>

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See accompanying notes.

**Sequel Brands Holdings, LLC**  
**Statement of Cash Flows**  
**Period from April 8, 2025 (inception) through April 30, 2025**

---

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income	\$ -
CASH FLOWS FROM FINANCING ACTIVITIES	
Contribution from Member	<u>1,000,000</u>
NET CHANGE IN CASH	1,000,000
CASH, beginning of period	<u>-</u>
CASH, end of period	<u><u>\$ 1,000,000</u></u>

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See accompanying notes.

# Sequel Brands Holdings, LLC

## Notes to Financial Statements

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### Note 1 – Organization and Description of Business

Sequel Brands Holdings, LLC (the Company), a Delaware limited liability company (LLC), was formed on April 8, 2025 (Inception) and is a wholly owned subsidiary of Sequel Brands, LLC (the Member). The Company was formed to facilitate the Member's growth of its wholly-owned subsidiaries that are franchisors in the fitness industry and provide a guarantee of performance to the Member's franchise entities. On April 30, 2025, the Company received an initial equity contribution consisting of \$1,000,000 in cash. There were no operations of the Company prior to April 30, 2025.

In connection with the Member's growth strategy, the Member acquired the following fitness franchise entities (Franchisors):

Entity	Date Acquired
iFlex Franchisor LLC	December 10, 2024
Beem Franchisor LLC	January 31, 2025
Pilates Addiction Franchisor LLC	February 7, 2025
Body20 Franchisor LLC	April 4, 2025

Each of these entities own the intellectual property rights and certain operating systems, trademarks, service marks, and other intellectual property used in the operation of the Franchisors to sell franchises in the fitness industry. iFlex Franchisor LLC is the franchisor of fitness studios that specialize in stretching. Beem Franchisor LLC is the franchisor of wellness studios that specialize in sauna therapy, red light therapy, and chromotherapy. Pilates Addiction Franchisor LLC is the franchisor of studios that specialize in Pilates. Body20 Franchisor LLC is the franchisor of fitness studios that specialize in personalized strength training sessions.

### Note 2 – Summary of Significant Accounting Policies

**Guarantee of Performance** – On May 2, 2025, the Company executed a binding guarantee of performance agreement with each of the Franchisors to absolutely and unconditionally guarantee to assume the duties and obligations of each Franchisor, as required by its franchise registrations in each state the franchise is registered. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreements are satisfied.

**Basis of presentation** – The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition. References to ASC and ASU included hereinafter refer to the Accounting Standards Codification and Accounting Standards Update, respectively, established by the Financial Accounting Standards Board (FASB) as the source of authoritative GAAP.

**Use of estimates** – The preparation of the financial statements in accordance with U.S. GAAP requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and the disclosure of contingent assets as of the balance sheet date. The actual results could differ significantly from those estimates.

## Sequel Brands Holdings, LLC

### Notes to Financial Statements

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**Cash** – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of April 30, 2025, the Company carried no cash equivalents.

**Concentration of credit risk** – Financial instruments, which may potentially be subject to a concentration of credit risk, consist of cash. The Company maintains substantially all of the day-to-day operating cash balances with a major financial institution. For the period from April 8, 2025 (inception) through April 30, 2025, the cash balance at times was in excess of Federal Depository Insurance Corporation insurance limits. The Company has experienced no loss or lack of access to cash in its operating account.

**Fair value measurements** – The Company's financial instruments, none of which are held for trading purposes, include cash. Management estimates that the fair value of all financial instruments as of April 30, 2025, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements due to the short maturities of these instruments.

**Income taxes** – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax return. Accordingly, no taxes payable or deferred tax assets or liabilities are reflected in these financial statements.

**Contingencies** - The Company is subject to certain claims and lawsuits in the normal course of business. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company is not aware of any litigation or claims that would have a material adverse effect on its financial condition or results of operations.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through May 2, 2025, which is the date the financial statements were available to be issued.

#### **Note 3 – Member's Equity**

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

## GUARANTEE OF PERFORMANCE

For value received, SEQUEL BRANDS HOLDINGS LLC, a Delaware limited liability company with a principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (the "**Guarantor**"), absolutely and unconditionally guarantees to assume the duties and obligations of PILATES ADDICTION FRANCHISOR LLC, a Delaware limited liability company with a principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (the "**Franchisor**"), under (a) its franchise registration in each state where the franchise is registered and (b) its Franchise Agreement identified in its 2025 Franchise Disclosure Document, as it may be amended, and as such Franchise Agreement may be entered into with franchisees and amended, modified, or extended from time to time. This guarantee continues until (i) all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or (ii) the liability of the 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 signs this guarantee at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 on May 2, 2025.

**Guarantor:**

SEQUEL BRANDS HOLDINGS LLC

By: 

Name: Anthony Geisler

Title: President



**EXHIBIT D  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**State Administrators and Agents for Service of Process**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

<b><u>CALIFORNIA:</u></b>  Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677  651 Bannon Street, Suite 300 Sacramento, CA 95811 (916) 327-7585  1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 610-2093  One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8565	<b><u>CONNECTICUT</u></b>  State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230  Agent: Banking Commissioner
<b><u>HAWAII</u></b> (state administrator)  Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722  (agent for service of process)  Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	<b><u>ILLINOIS</u></b>  Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

<p><b><u>INDIANA</u></b></p> <p>Indiana Secretary of State Securities Division, E 111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p>	<p><b><u>MARYLAND</u></b> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><b><u>MICHIGAN</u></b> (state administrator)</p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 1st Floor Lansing, Michigan 48933 (517) 335-7567</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><b><u>MINNESOTA</u></b> (state administrator)</p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1500</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
<p><b><u>NEW YORK</u></b> (state administrator)</p> <p>NYS Department of Law Bureau of Investor Protection and Securities 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8236</p> <p>(for service of process) Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6<sup>th</sup> Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p><b><u>NORTH DAKOTA</u></b></p> <p>North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>

<p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><b><u>RHODE ISLAND</u></b></p> <p>Division of Securities Rhode Island Dept. of Business Regulation John O. Pastore Complex – Bldg. 69-1 1511 Pontiac Avenue Cranston, RI 02920 (401) 462-9500</p>
<p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Insurance Securities Regulation 124 South Euclid Avenue, Suite 104 Pierre, South Dakota 57501 (605) 773-3563</p>	<p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>(for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>
<p><b><u>WASHINGTON</u></b> (state administrator)</p> <p>Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504 1200 (360) 902-8760</p> <p>(for service of process) Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501</p>	<p><b><u>WISCONSIN</u></b> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way Madison, Wisconsin 53705</p>

**EXHIBIT E  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Table of Contents for Franchise Operations Manuals**

As disclosed in Item 11, the Manuals are currently under development and are expected to be released by the end of 2025.

**EXHIBIT F  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Current and Former Franchisees**

**Franchisees Who Have Open Studios (as of December 31, 2024):**

<b>Franchisee Name</b>	<b>Owner(s)</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Phone Number</b>
Cala Cuerpo Pilates LLC,	Amy Jordan Vahe Jordan	7940 W 3rd St, Los Angeles, CA 90048	Los Angeles	CA	(213) 205-1438
XANDER INVESTMENT GROUP	Bridgette Oses	1864, 1/2 N Vermont Ave, Los Angeles, CA 90027	Los Angeles	CA	(323) 928-2911
Montrose Pilates Plus, LLC	Amy Jordan Vahe Jordan	2303 Honolulu Ave, Montrose, CA 91020	Montrose	CA	(818) 279-2199
PASADENA PILATES PLUS, LLC,	Amy Jordan Vahe Jordan	860 E Green St, Pasadena, CA 91101	Pasadena	CA	(626) 304-2600
Gavin and Michelle Zimmer	Gavin and Michelle Zimmer	31149 Via Colinas Unit #605, Westlake Village, CA 91362	Westlake Village	CA	(805) 300-1124
JORISE – JERSEY CITY, LLC	Amy Jordan Vahe Jordan	65 Bay St, Jersey City, NJ 07302	Jersey City	NJ	(845) 999-6727
JORISE – MONTAGUE, LLC	Amy Jordan Vahe Jordan	155 Montague St, Brooklyn, NY 11201	Brooklyn	NY	(718) 425-0930
JORISE – UPPER EAST SIDE, LLC	Amy Jordan Vahe Jordan	245 E 78th St, New York, NY 10075	New York	NY	(646) 224-5922
Jorise Tribeca LLC	Amy Jordan Vahe Jordan	256 West St, New York, NY 10013	New York City	NY	(212) 832-8079
BTN Pilates, LLC	Amy Jordan Vahe Jordan	6027 TN-100, Nashville, TN 37205	Nashville	TN	(615) 622-4142

None of our franchisees are area developers with active Development Agreements.

**Franchisees Who Have Signed Agreements But Not Yet Opened Studios (as of December 31, 2024):**

None

**Former Franchisees that Left the System in 2024 (After Studio Opened):**

None

**Former Franchisees that Left the System in 2024 (Terminated Before Studio Opened):**

None

**EXHIBIT G  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Form of General Release**

**(attached)**

## GENERAL RELEASE

THIS GENERAL RELEASE ("**Release**") is executed on \_\_\_\_\_  
by \_\_\_\_\_  
 ("**Franchisee**"), \_\_\_\_\_  
 ("**Guarantors**"), \_\_\_\_\_  
 ("**Transferee**") as a condition of **(1)** the transfer of the Franchise Agreement dated [month] [day], [year] between Pilates Addiction Franchisor LLC ("**Franchisor**") and Franchisee ("**Franchise Agreement**"); or **(2)** the execution of a successor Franchise Agreement by Franchisee and Franchisor. (If this Release is executed under the conditions set forth in (2) above, all references in this Release to "Transferee" should be ignored.)

**1. Release by Franchisee, Transferee, and Guarantors.** Franchisee and Transferee (on behalf of themselves and their parents, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities), and Guarantors (on behalf of themselves and their respective heirs, representatives, successors and assigns) (collectively, the "**Releasors**") freely and without any influence forever release **(i)** Franchisor, **(ii)** Franchisor's past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities, and **(iii)** Franchisor's parent, subsidiaries, and affiliates and their respective past and present officers, directors, shareholders, managers, members, agents, and employees, in their corporate and individual capacities (collectively, the "**Released Parties**"), from any and all claims, debts, demands, liabilities, suits, judgments, and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**Claims**"), that any Releasor ever owned or held, now owns or holds, or may in the future own or hold, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances and claims arising out of, or relating to, the Franchise Agreement and all other agreements between any Releasor and any Released Party arising out of, or relating to any act, omission or event occurring on or before the date of this Release, unless prohibited by applicable law.

**2. Risk of Changed Facts.** Franchisee, Transferee, and Guarantors understand that the facts in respect of which the release in Section 1 is given may turn out to be different from the facts now known or believed by them to be true. Franchisee, Transferee, and Guarantors hereby accept and assume the risk of the facts turning out to be different and agree that the release in Section 1 shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

**3. Covenant Not to Sue.** Franchisee, Transferee, and Guarantors (on behalf of Releasors) covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim released under Section 1.

**4. No Prior Assignment and Competency.** Franchisee, Transferee, and Guarantors represent and warrant that: **(i)** the Releasors are the sole owners of all Claims and rights released in Section 1 and that the Releasors have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1; **(ii)** each Releasor has full and complete power and authority to execute this Release, and that the execution of this Release shall not violate the terms of any contract or agreement between them

or any court order; and (iii) this Release has been voluntarily and knowingly executed after each of them has had the opportunity to consult with counsel of their own choice.

**5. Complete Defense.** Franchisee, Transferee, and Guarantors: (i) acknowledge that the release in Section 1 shall be a complete defense to any Claim released under Section 1; and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

**6. Successors and Assigns.** This Release will inure to the benefit of and bind the successors, assigns, heirs, and personal representatives of the Released Parties and each Releasor.

**7. Counterparts.** This Release may be executed in two or more counterparts (including by facsimile), each of which shall be deemed an original, and all of which shall constitute one and the same instrument.

**8. Capitalized Terms.** Any capitalized terms that are not defined in this Release shall have the meaning given them in the Franchise Agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK.]



**IN WITNESS WHEREOF**, Franchisee, Transferee, and Guarantors have executed this Release as of the date shown above.

**FRANCHISEE:**

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

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

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

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

**TRANSFEREE:**

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

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

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

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

**GUARANTOR:**

\_\_\_\_\_

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

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

**GUARANTOR:**

\_\_\_\_\_

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

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

**EXHIBIT H  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Form of Nondisclosure and Noncompete Agreement  
(attached)**

## NONDISCLOSURE AND NONCOMPETE AGREEMENT

This Agreement is dated [DATE]. The parties are [NAME OF FRANCHISEE] (referred to as “**we**”, “**us**”, and “**our**”), located at [ADDRESS], and [NAME OF EMPLOYEE OR INDEPENDENT CONTRACTOR] (referred to as “**you**” and “**your**”). You are signing this Agreement in consideration of, and as a condition to, your association with us and the compensation, dividends, or other payments and benefits you will receive from us.

### BACKGROUND

We are a franchisee of Pilates Addiction Franchisor LLC (“**Franchisor**”) under a Franchise Agreement dated [DATE] (the “**Franchise Agreement**”), pursuant to which Franchisor granted us the right to operate a franchised business (the “**Studio**”) under the “Pilates Addiction<sup>™</sup>” name (the “**Brand**”). We have a license to use the Brand and certain other trademarks designated by Franchisor (collectively, the “**Marks**”), certain policies and procedures used in the operation of Studios (the “**System**”), and the confidential information developed and owned by Franchisor and its affiliates in our Studio. Franchisor recognizes that, in order for us to effectively operate our business, our employees and independent contractors whom we retain must have access to certain confidential information and trade secrets owned by Franchisor. Disclosure of this confidential information and trade secrets to unauthorized persons, or its use for any purpose other than the operation of our Studio, would harm Franchisor, other franchise owners, and us. Accordingly, Franchisor requires us to have you sign this Agreement.

### AGREEMENT

**1. Confidential Information.** As used in this Agreement, “**Confidential Information**” means all manuals, trade secrets, know-how, methods, training materials, information, management procedures, and marketing and pricing techniques relating to the Studio, the System, or Franchisor’s business. In addition, Confidential Information includes all marketing plans, advertising plans, business plans, financial information, member information, employee information, independent contractor information and other confidential information of Franchisor, Franchisor’s affiliates, or us (collectively, the “**Interested Parties**”) that you obtain during your association with us.

**2. Nondisclosure.** You agree not to use or disclose, or permit anyone else to use or disclose, any Confidential Information to anyone outside of our organization (other than the Interested Parties) and not to use any Confidential Information for any purpose except to carry out your duties as our employee or as an independent contractor to us. You also agree not to claim any ownership in or rights to Confidential Information and not to challenge or contest our, Franchisor’s, or Franchisor’s affiliates’ ownership of it. These obligations apply both during and after your association with us.

**3. Return of Confidential Information.** If your association with us ends for any reason, you must return to us all records described in Paragraph 1, all other Confidential Information, and any authorized or unauthorized copies of Confidential Information that you may have in your possession or control. You may not retain any Confidential Information after your association with us ends.

**4. Noncompete During Association.** You may not, during your association with us, without our prior written consent:

(a) own, manage, engage in, be employed by, advise, make loans to, lease or sublease space to, or have any other interest in (i) any gymnasium, studio, athletic or fitness center, health club, exercise, aerobics facility, or similar fitness or exercise facility or business, (ii) any business that offers products, services, or classes or training sessions that are similar to those offered by a Studio, or (iii) any entity that grants franchises or licenses for any of the businesses in (i) or (ii) (collectively, each, a “**Competitive Business**”) at any location in the United States;

(b) divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Business, by direct or indirect inducement or otherwise;

(c) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or

(d) 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.

**5. Noncompete After Association Ends.** For two years after your association with us ends for any reason, you will be subject to the same restrictions as in Section 4, except the restrictions in Sections 4(a) and 4(b) will be geographically limited to any Competitive Business that is located within a 10-mile radius of our Studio or any other Studio that is operating or under development at the time your association with us ends.

**6. Remedies.** If you breach or threaten to breach this Agreement, you agree that we will be entitled to injunctive relief (without posting bond) as well as a suit for damages.

**7. Severability.** If any part of this Agreement is declared invalid for any reason, the invalidity will not affect the remaining provisions of this Agreement. If a court finds any provision of this Agreement to be unreasonable or unenforceable as written, you agree that the court can modify the provision to make it enforceable and that you will abide by the provision as modified.

**8. Independent Agreement.** The Agreement is independent of any other obligations between you and us. This means that it is enforceable even if you claim that we breached any other agreement, understanding, commitment or promise.

**9. Third-Party Right of Enforcement.** You are signing this Agreement not only for our benefit, but also for the benefit of Franchisor and Franchisor’s affiliates. We, Franchisor, and Franchisor’s affiliates have the right to enforce this Agreement directly against you.

**10. Not An Employment Agreement.** This is not an employment agreement. Nothing in this Agreement creates or should be taken as evidence of an agreement or understanding by us, express or implied, to continue your association with us for any specified period.

**11. Modification and Waiver.** Your obligations under this Agreement cannot be waived or modified except in writing.

**12. Governing Law.** This Agreement is governed by the laws of the state in which our principal office is located.

**13. Attorney's Fees.** If we have to take legal action to enforce this Agreement, we will be entitled to recover from you all of our costs, including reasonable attorney's fees, to the extent that we prevail on the merits.

**14. Representation.** You certify that you have read and fully understood this Agreement, and that you entered into it willingly.

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**WITNESS**

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**EMPLOYEE or  
INDEPENDENT CONTRACTOR**

**EXHIBIT I  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Additional State-Required Disclosures and Riders**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
PILATES ADDICTION FRANCHISOR LLC**

The following are additional disclosures for the Franchise Disclosure Document of Pilates Addiction Franchisor LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

**CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN**

The following provision applies only to franchisees and franchised Studios that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin:

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

**CALIFORNIA**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR DEVELOPMENT AGREEMENT OR FRANCHISE AGREEMENT.

3. OUR WEBSITE, [www.pilatesaddiction.com](http://www.pilatesaddiction.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

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

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

5. The following is added to the "Remarks" column of the line item titled "Late Fee and Interest" in Item 6:

The highest interest rate allowed under California law is 10% annually.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee and multi-unit developer concerning termination or nonrenewal of a franchise. If the Development Agreement or Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Development Agreement and Franchise Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Development Agreement and Franchise Agreement require application of the laws of the State of Delaware. This provision might not be enforceable under California law.

With limited exception, the Development Agreement and Franchise Agreement require pre-litigation mediation and binding arbitration, each to be conducted in the metropolitan area in which our current principal place of business is then located (currently Newport Beach, California). The Development Agreement and Franchise Agreement also require that any disputes excepted from arbitration must be filed in the United States District Court for the district in which we have our principal place of business at the time of filing. Prospective multi-unit developers and franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Development Agreement and Franchise Agreement restricting venue to a forum outside the State of California.

The Development Agreement and Franchise Agreement require you to sign a general release of claims upon renewal of the Franchise Agreement or transfer of the Development Agreement or Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order



thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

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

## **HAWAII**

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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

THIS FDD CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities, Department of Commerce and Consumer Affairs, Business Registration Division, Securities Compliance Branch, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

1. Item 17 shall be supplemented by the addition of the following language at the end of the Item:

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.

2. Exhibit J (Compliance Questionnaire) to the Franchise Disclosure Document and Section 18.5 (Acknowledgements in Certain States) of the Franchise Agreement are hereby deleted in their entirety.

## **ILLINOIS**

12. The following is added at the end of Item 17:

Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any action that is otherwise enforceable in Illinois. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Except to the extent governed by the Federal Arbitration Act or other federal law, Illinois law governs the Franchise Agreement and Development Agreement.

The conditions under which your Franchise Agreement or Development Agreement can be terminated and your rights upon nonrenewal (as applicable) may be affected by Sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

## **INDIANA**

1. **Item 17, Additional Disclosures.** The following statements are added at the end of Item 17:

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the franchise agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the franchisee. If any of the provisions of the Franchise Agreement or the Development Agreement conflict with this law, this law will control.

Any provisions requiring you to sign a general release of claims against us, including upon execution of a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.

The Franchise Agreement and the Development Agreement provide that pre-litigation mediation and arbitration must be brought in the metropolitan area in which our place of

business is then located (currently, Newport Beach, California). These provisions may not be enforceable under Indiana law.

Indiana franchise laws will govern the Franchise Agreement, the Development Agreement, and any and all other related documents.

## **MARYLAND**

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” section of Item 17(h) of the Development Agreement and the Franchise Agreement charts, entitled “Cause” defined – non-curable defaults”:

The Development Agreement and Franchise Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” section of Item 17(v) of the Development Agreement and the Franchise Agreement charts, entitled Choice of forum:

Subject to your arbitration obligations, you may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The “Summary” section of Item 17(w) of the Development Agreement and Franchise Agreement charts, entitled “Choice of law,” is deleted and replaced with the following:

Except for the Federal Arbitration Act and other federal law, and except for claims arising under the Maryland Franchise Registration and Disclosure Act, the laws of the State of Delaware apply to all claims.

5. The following is added at the end of Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

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

## **MICHIGAN**

See page after state effective dates near front of the FDD.

## **MINNESOTA**

1. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Development Agreement and Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document, Development Agreement or Franchise Agreement can abrogate or reduce any of Developer's or Franchisee's rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Any release required as a condition of renewal, sale and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

## **NEW YORK**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY.**

**THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following language is added to the end of Item 3 of the Franchise Disclosure Document:

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

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, that are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 5 of the Franchise Disclosure Document:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

4. The following language is added to the end of the "Summary" sections of Item 17(c), titled Requirements for a franchisee to renew or extend, and Item 17(m), titled Conditions for franchisor approval of transfer:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the

General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

6. The following language is added to the end of the “Summary” sections of Item 17(v), titled Choice of forum, and Item 17(w), titled Choice of law:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

8. Receipts. Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting or ten (10) business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the “Summary” section of Item 17(i) of the Franchise Agreement chart, entitled Franchisee’s obligations on termination/non-renewal:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

3. The following is added to the end of the “Summary” section of Item 17(r) of the Development Agreement and the Franchise Agreement charts, entitled Non-competition covenants after the franchise is terminated or expires:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we and you will enforce the covenants to the maximum extent the law allows.

4. The following is added to the end of the “Summary” section of Item 17(v) of the Development Agreement and the Franchise Agreement charts, entitled Choice of forum:

To the extent required by the North Dakota Franchise Investment Law, but subject to your arbitration obligations, you may bring an action in North Dakota.

5. The following is added to the end of the “Summary” section of Item 17(w) of the Development Agreement and the Franchise Agreement charts, entitled Choice of law:

Except for federal law, North Dakota law applies.

## **RHODE ISLAND**

1. The following is added to the end of the “Summary” section of Item 17(v) of the Development Agreement and the Franchise Agreement charts, entitled Choice of forum:

To the extent required by applicable law, but subject to your arbitration obligations, however, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. The “Summary” section of Item 17(w) of the Development Agreement and the Franchise Agreement charts, entitled Choice of law, is deleted and replaced with the following:

Except for Federal Arbitration Act and other federal law, and except as otherwise required by the Rhode Island Franchise Investment Act, the laws of the State of Delaware apply to all claims.

## **VIRGINIA**

1. The following is added to the end of the “Summary” section of Item 17(h) of the Development Agreement and the Franchise Agreement charts, entitled “Cause” defined – non-curable defaults:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any rights given to him under the franchise. If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any

ground for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. The following paragraph is added to the end of Item 17:

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

### **WASHINGTON**

(See State-Specific Riders to the Franchise Agreement.)



**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Studio that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **GOVERNING LAW.** Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

Except to the extent governed by the Federal Arbitration Act or other federal law, Illinois law governs this Agreement.

3. **CONSENT TO JURISDICTION.** The following is added to the end of Section 16.3(d) of the Franchise Agreement:

Notwithstanding the foregoing, in conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in this Agreement that designates jurisdiction and venue in a forum outside of Illinois is void. However, this Agreement may provide for arbitration to take place outside of Illinois.

4. **MUTUAL WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.** The following is added to the end of Sections 16.4 and 16.5 of the Franchise Agreement:

HOWEVER, THIS SECTION SHALL NOT ACT AS A CONDITION, STIPULATION OR PROVISION PURPORTING TO BIND ANY PERSON ACQUIRING ANY FRANCHISE TO WAIVE COMPLIANCE WITH ANY PROVISION OF THE ILLINOIS FRANCHISE DISCLOSURE ACT AT SECTION 705/41 OR ILLINOIS REGULATIONS AT SECTION 200.609.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following is added as Section 16.10 of the Franchise Agreement:

16.10 Illinois Franchise Disclosure Act. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act,

nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE  
(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Studio that you will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 2.2(d) (“Successor Term”), 13.4(d) (“Control Transfer”), 13.5 (“Non-Control Transfers”), 13.6 (“Transfer To an Entity”), and 15.7(d) (“Closing”) of the Franchise Agreement:

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **GOVERNING LAW.** The following sentence is added to the end of Section 16.1 (“Governing Law”) of the Franchise Agreement:

Despite anything to the contrary stated above, and to the extent required by applicable law, Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **CONSENT TO JURISDICTION.** The following is added to the end of Section 16.3(d) (“Excepted Disputes”) of the Franchise Agreement:

However, subject to your arbitration obligations, nothing in this Section affects your right under the Maryland Franchise Registration and Disclosure Law to bring a lawsuit in Maryland for claims arising under that law.

5. **LIMITATION OF CLAIMS.** The following sentence is added to the end of Section 16.8 (“Limitation of Claims”) of the Franchise Agreement:

Any limitation of claims will not act to reduce the three-year statute of limitations afforded you for bringing a claim under the Maryland Franchise Registration and Disclosure Law.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Studio that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota

2. **RELEASES.** The following is added to the end of Sections 2.2(d), 13.4(d), 13.5, 13.6, and 15.7(d) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. **SUCCESSOR TERM AND TERMINATION.** The following is added to the end of Sections 2.2 and 14 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

4. **NOTIFICATION OF INFRINGEMENT AND CLAIMS.** The following sentence is added to the end of Section 9.1 of the Franchise Agreement:

Provided you have complied with all provisions of this Agreement applicable to the Marks, we will protect your right to use the Marks and will indemnify you from any loss, costs or expenses arising out of any claims, suits or demands regarding your use of the Marks in accordance with Minn. Stat. Sec. 80C 12, Subd. 1(g).

5. **GOVERNING LAW.** The following statement is added at the end of Section 16.1 of the Franchise Agreement:

NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80C OR YOUR RIGHT TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

6. **CONSENT TO JURISDICTION.** The following is added to the end of Section 16.3(d) of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, MINN. STAT. SEC. 80C.21 AND MINN. RULE 2860.4400J PROHIBIT US, EXCEPT IN CERTAIN SPECIFIED CASES, FROM REQUIRING LITIGATION TO BE CONDUCTED OUTSIDE OF MINNESOTA. NOTHING IN THIS AGREEMENT WILL ABROGATE OR REDUCE ANY OF YOUR RIGHTS UNDER MINNESOTA STATUTES CHAPTER 80.C OR YOUR RIGHTS TO ANY PROCEDURE, FORUM OR REMEDIES THAT THE LAWS OF THE JURISDICTION PROVIDE.

7. **MUTUAL WAIVER OF JURY TRIAL AND PUNITIVE DAMAGES.** If, and then only to the extent, required by the Minnesota Franchises Law, Sections 16.4 and 16.5 of the Franchise Agreement are deleted.

8. **LIMITATION OF CLAIMS.** The following is added to the end of Section 16.7 of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.



**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
FRANCHISE AGREEMENT FOR USE IN THE  
STATE OF NEW YORK**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, (the “Franchise Agreement”). This Rider is being signed because (a) you are domiciled in the State of New York and the Studio that you will operate under the Franchise Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in New York.

2. **RELEASES.** The following is added to the end of Sections 2.2(d), 4.3, 4.5, 13.4(d), 13.5, 13.6, and 15.7(d) of the Franchise Agreement:

Notwithstanding the foregoing, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **TERMINATION BY YOU.** The following is added to the end of Section 14.3 of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

4. **CONSENT TO JURISDICTION/GOVERNING LAW.** The following statement is added to the end of Sections 16.1 and 16.3(d) of the Franchise Agreement:

However, to the extent required by Article 33 of the General Business Law of the State of New York, this Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

5. **LIMITATION OF CLAIMS.** The following is added to the end of Section 16.8 of the Franchise Agreement:

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

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN NORTH DAKOTA**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Studio that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the end of Sections 2.2(d), 13.4(d), 13.5, 13.6, and 15.7(d) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **COVENANT NOT TO COMPETE.** The following is added to the end of Section 12 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, we will enforce the covenants to the maximum extent the law allows.

4. **TERMINATION AND LIQUIDATED DAMAGES.** The following is added to the end of Section 15.2 of the Franchise Agreement:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, Franchisor and Franchisee agree to enforce these provisions to the extent the law allows.

5. **GOVERNING LAW.** The following is added to the end of Section 16.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

6. **ARBITRATION.** The following is added to the end of Section 16.3 of the Franchise Agreement:

NOTWITHSTANDING THE FOREGOING, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW (UNLESS SUCH A

REQUIREMENT IS PREEMPTED BY THE FEDERAL ARBITRATION ACT),  
ARBITRATION PROCEEDINGS WILL BE HELD AT A SITE TO WHICH WE  
AND YOU AGREE.

7. **CONSENT TO JURISDICTION.** The following language is added to the end of  
Section 16.3(d) of the Franchise Agreement:

However, to the extent required by applicable law, but subject to Franchisee's  
arbitration obligations, Franchisee may bring an action in North Dakota.

8. **WAIVER OF JURY TRIAL.** If, and then only to the extent, required by the North  
Dakota Franchise Investment Law, Section 16.4 of the Franchise Agreement is deleted.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
FRANCHISE AGREEMENT  
FOR USE IN RHODE ISLAND**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1.     **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Studio that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2.     **GOVERNING LAW.** The following is added to the end of Section 16.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

3.     **CONSENT TO JURISDICTION.** The following language is added to the end of Section 16.3(d) of the Franchise Agreement:

Nonetheless, subject to your arbitration obligations, you have the right under the Rhode Island Franchise Investment Act to sue in Rhode Island for claims arising under that law.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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



## WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT AND RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
DEVELOPMENT AGREEMENT**

**RIDER TO THE PILATES ADDICTION FRANCHISOR LLC  
DEVELOPMENT AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1. **BACKGROUND.** We and you are parties to that certain Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Development Agreement occurred in Illinois and the Studios that you will operate and develop under the Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following is added as Section 14 of the Development Agreement:

14. **Illinois Franchise Disclosure Act.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Act or any other law of Illinois is void. However, that Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any provision of the Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**RIDER TO THE  
PILATES ADDICTION FRANCHISOR LLC  
DEVELOPMENT AGREEMENT FOR USE IN THE  
STATE OF NEW YORK**

**THIS RIDER** (this “**Rider**”) is made and entered into by and between **Pilates Addiction Franchisor LLC**, a Delaware limited liability company with its principal place of business at 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660 (“**Franchisor**”), and the person or entity identified on Appendix A as the franchisee (“**Franchisee**”) with its principal place of business as set forth on Appendix A. In this Rider, “**we**,” “**us**,” and “**our**” refers to Franchisor. “**You**” and “**your**” refers to Franchisee.

1.     **BACKGROUND.** We and you are parties to that certain Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Development Agreement”) that has been signed concurrently with this Rider. This Rider is being signed because (a) you are domiciled in the State of New York and the Studios that you will operate and develop under the Development Agreement will be located in New York, and/or (b) any of the offering or sales activity relating to the Development Agreement occurred in New York.

2.     **TERMINATION.** The following is added to the end of Section 6 of the Development Agreement:

You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.



**IN WITNESS WHEREOF**, each of the undersigned has executed this Rider under seal as of the Effective Date of the Development Agreement.

**FRANCHISOR**

**PILATES ADDICTION FRANCHISOR  
LLC**

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

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

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

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

**FRANCHISEE**

**(IF ENTITY):**

\_\_\_\_\_  
[Name]

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

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

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

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

**(IF INDIVIDUALS):**

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

\_\_\_\_\_  
[Signature]

\_\_\_\_\_  
[Print Name]

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

**EXHIBIT J  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**Compliance Questionnaire**

(attached)

**QUESTIONNAIRE TO BE COMPLETED BEFORE  
YOU SIGN THE FRANCHISE AGREEMENT**

**THIS QUESTIONNAIRE SHALL NOT BE COMPLETED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**DO NOT SIGN THE ACKNOWLEDGEMENT IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND.**

You are preparing to enter into a Pilates Addiction™ Franchise Agreement (the “Franchise Agreement”) with Pilates Addiction Franchisor LLC (“we” or “us”). The purpose of this Questionnaire is to confirm that you understand the terms of the contract and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each. In this Questionnaire, our “representatives” include our officers, directors, employees, agents, sales brokers, and/or any other representatives working on our behalf.

1. When and where did you have your first face-to-face meeting with our representative(s)?

Approximate date of first meeting: \_\_\_\_\_

Place of meeting: \_\_\_\_\_

2. Which of our representative(s) have you been dealing with?

Name(s): \_\_\_\_\_

3. Have you personally read the Pilates Addiction™ Disclosure Document (“FDD”)?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Did you give us a signed receipt for the copy of the FDD that we furnished to you?

Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, on what date? \_\_\_\_\_

5. Do you understand all of the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, what parts of the FDD do you not understand? (Attach additional pages, if necessary.)

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6. Have you personally read the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand all of the terms of the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

If not, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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8. Have any of our representatives recommended that you have the FDD and related agreements reviewed by an attorney or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Have you, in fact, discussed the FDD, the related agreements, and the benefits and risks of operating a Pilates Addiction™ franchise with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, name and profession of advisor: \_\_\_\_\_

If no, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Other than the information presented in Item 19 of the FDD, has any of our employees or any other person speaking on our behalf (this does not include franchisees whom you contact on your own) made any statement or representation (oral, written, or visual) regarding:

a. The amount of money that others have made or that you might make as a Pilates Addiction™ franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

b. The revenue or profits that a Pilates Addiction™ franchise will generate?

Yes \_\_\_\_\_ No \_\_\_\_\_

c. Any other financial performance information about Pilates Addiction™ franchises?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. If your answer to any part of Question 10 is “yes,” please describe the statement or representation. Please include when, where, and by whom the statement or representation was made. Please provide full details in the following space. (Attach additional pages, if necessary.)

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12. Have you contacted any of our existing franchisees about their financial performance?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. If your answer to Question 12 is “yes,” please describe the information that they shared with you in the following space. (You do not need to identify the franchisees with whom you spoke.)

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14. Please think about the statements or promises made to you by our employees (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support, or assistance that we will furnish to you. Were any such statements or promises contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. If you answered “Yes” to Question 14, please provide full details in the following space. (Attach additional pages, if necessary.)

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16. Have you entered into any agreement with us before today concerning our franchise opportunity?

Yes \_\_\_\_\_ No \_\_\_\_\_ If Yes, please describe: \_\_\_\_\_

17. Have you paid any money to us before today in connection with our franchise opportunity?

Yes \_\_\_\_\_ No \_\_\_\_\_ If Yes, please describe: \_\_\_\_\_

18. In entering into the Franchise Agreement, are you relying on any statement, promise, or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Franchise Agreement itself? If "Yes", please provide full details in the following space. (Attach additional pages, if necessary.)

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19. Would you agree that the success or failure of your franchise will depend in large part upon your own skills and abilities, competition from other businesses, the size of your market, and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. In which state do you reside? \_\_\_\_\_

21. In which state do you intend to operate the Pilates Addiction™ franchise?

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22. Have you selected a specific site at which you propose to open your Pilates Addiction™ studio?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please specify the location: \_\_\_\_\_

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23. Do you have personal knowledge of the market area in which you will operate?

Yes \_\_\_\_\_ No \_\_\_\_\_

24. Did you obtain advice from anyone other than our representatives in selecting your site?

Yes \_\_\_\_\_ No \_\_\_\_\_ If yes, name of advisor: \_\_\_\_\_

If not, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

25. Have all of your questions concerning your proposed investment in a Pilates Addiction™ franchise been answered to your satisfaction?

Yes \_\_\_\_\_ No \_\_\_\_\_

\* \* \*

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FRANCHISE APPLICANT

\_\_\_\_\_

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

## 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:

State	Effective Date
California	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
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.



## ITEM 23 RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Pilates Addiction Franchisor LLC (“**Franchisor**”) offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, Franchisor or one of its affiliates in connection with the proposed franchise sale. Iowa requires that we provide you with this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. New York requires that Franchisor provide you with this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed sale. Michigan requires that Franchisor provide you with this Disclosure Document 10 business days before you sign a binding agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed sale.

If Franchisor does not deliver this disclosure statement on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The franchise sellers for this offering are listed below. Their principal business address and telephone number is 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660, 949-629-4333. Please check the box beside the name of the franchise seller(s) with whom you discussed the franchise offering:

<input type="checkbox"/> Chris Pena	<input type="checkbox"/> Nate Chang	<input type="checkbox"/> Mike Elirck	<input type="checkbox"/> Sarah Luna
<input type="checkbox"/> Rudy Flores	<input type="checkbox"/> Jonathan DiBernard	<input type="checkbox"/> Nicole Alburger	<input type="checkbox"/> Anthony Geisler
<input type="checkbox"/> Linda Champitto	<input type="checkbox"/> Jeff Bien	<input type="checkbox"/> Bob McQuillan	<input type="checkbox"/> Jennifer Cain
<input type="checkbox"/> Jeff Stevens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Franchisor’s registered agents authorized to receive service of process are set forth on Exhibit D.

Issuance Date: May 6, 2025

This Disclosure Document included the following exhibits: A. Franchise Agreement; B. Development Agreement; C. Sequel Brands Holdings, LLC Financial Statements and Guarantee; D. State Administrators and Agent for Service of Process; E. Manuals’ Tables of Contents; F. Current Franchisees and Former Franchisees; G. General Release; H. Nondisclosure and Noncompete; I. Additional State-Required Disclosures and Riders; and J. Compliance Questionnaire.

\_\_\_\_\_  
Signature (individually and as an officer)

\_\_\_\_\_  
Date Disclosure Document Received

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

**TO BE KEPT FOR YOUR FILES**

\_\_\_\_\_  
Print Franchisee’s Name (if an Entity)

## ITEM 23 RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Pilates Addiction Franchisor LLC ("**Franchisor**") offers you a franchise, it must provide this disclosure document to you 14 days before you sign a binding agreement with, or make a payment to, Franchisor or one of its affiliates in connection with the proposed franchise sale. Iowa requires that we provide you with this Disclosure Document at the earlier of the first personal meeting or 14 calendar days before you sign a binding agreement with, or make payment to, us or one of our affiliates in connection with the proposed sale. New York requires that Franchisor provide you with this Disclosure Document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed sale. Michigan requires that Franchisor provide you with this Disclosure Document 10 business days before you sign a binding agreement with, or make payment to, Franchisor or one of its affiliates in connection with the proposed sale.

If Franchisor does not deliver this disclosure statement on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit D.

The franchise sellers for this offering are listed below. Their principal business address and telephone number is 4000 MacArthur Blvd., Suite 800, Newport Beach, California 92660, 949-629-4333. Please check the box beside the name of the franchise seller(s) with whom you discussed the franchise offering:

<input type="checkbox"/> Chris Pena	<input type="checkbox"/> Nate Chang	<input type="checkbox"/> Mike Elirck	<input type="checkbox"/> Sarah Luna
<input type="checkbox"/> Rudy Flores	<input type="checkbox"/> Jonathan DiBernard	<input type="checkbox"/> Nicole Alburger	<input type="checkbox"/> Anthony Geisler
<input type="checkbox"/> Linda Champitto	<input type="checkbox"/> Jeff Bien	<input type="checkbox"/> Bob McQuillan	<input type="checkbox"/> Jennifer Cain
<input type="checkbox"/> Jeff Stevens	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Franchisor's registered agents authorized to receive service of process are set forth on Exhibit D.

Issuance Date: May 6, 2025

This Disclosure Document included the following exhibits: A. Franchise Agreement; B. Development Agreement; C. Sequel Brands Holdings, LLC Financial Statements and Guarantee; D. State Administrators and Agent for Service of Process; E. Manuals' Tables of Contents; F. Current Franchisees and Former Franchisees; G. General Release; H. Nondisclosure and Noncompete; I. Additional State-Required Disclosures and Riders; and J. Compliance Questionnaire.

\_\_\_\_\_  
Signature (individually and as an officer)

\_\_\_\_\_  
Date Disclosure Document Received

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

\_\_\_\_\_  
Print Franchisee's Name (if an Entity)

**TO BE RETURNED TO:**  
Pilates Addiction Franchisor LLC  
4000 MacArthur Blvd., Suite 800  
Newport Beach, California 92660