



## FRANCHISE DISCLOSURE DOCUMENT

Real Hot Yoga Franchise, LLC  
a Tennessee Limited Liability Company  
8023 Kingston Pk., Ste 5, Knoxville, TN 37919  
Telephone: 865-919-9642  
Email: RealHotYoga@Yahoo.com  
RealHotYoga.net

A Real Hot Yoga franchised business offers the ultimate hot yoga experience by providing students with a state-of-the-art facility in a warm, welcoming, and supportive environment.

The total investment necessary to begin operation of a Real Hot Yoga real property space Franchised Business is \$223,800 to \$385,100. This includes \$54,050 to \$55,350 that must be paid to the franchisor and its affiliate(s).

The additional total investment necessary to begin operation of a Real Hot Yoga Area Developer Franchise is \$40,000 to \$200,000. This includes \$40,000 to \$200,000 that must be paid to franchisor and its affiliate(s). You must open a minimum of one additional Real Hot Yoga Franchised Business under an Area Development Agreement.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Cindy Coats at 8023 Kingston Pk., Ste 5, Knoxville, TN 37919, and 865-919-9642.

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 contracts carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

There may also be laws on franchising in your state. Ask your state agencies about them.

ISSUANCE DATE: April 25, 2022, as amended November 10, 2022

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or EXHIBIT G.
<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 I 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 Real Hot Yoga 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 Real Hot Yoga Franchise, LLC franchisee?</b>	Item 20 or EXHIBIT G and EXHIBIT H 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 F.

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 requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Tennessee. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Tennessee than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

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

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

### **The Franchisor.**

To simplify the language in this disclosure document, “Real Hot Yoga Franchise, LLC,” “Real Hot Yoga,” “we” or “us” means Real Hot Yoga Franchise, LLC the franchisor. “You” means the business entity that buys the franchise and includes each partner, shareholder, member, or another owner of that entity. Real Hot Yoga Franchise, LLC is a Tennessee Limited Liability Company formed on November 7, 2019. Our principal office is located at 8023 Kingston Pk., Ste 5, Knoxville, TN 37919. Our agents for service of process are listed in EXHIBIT F.

### **Predecessors, Parents, and Affiliates.**

We do not have any parents. We do not have and have not had any predecessors in the past 10 years.

Our affiliate, Real Hot Yoga, LLC, with an address of 8023 Kingston Pk., Ste 5, Knoxville, TN 37919, has offered Real Hot Yoga licenses since 2018. As of December 31, 2018, there was one Real Hot Yoga licensed locations. Real Hot Yoga JC, LLC, RHY Englewood, LLC, RHY Hoboken, LLC, and RHY Ridgewood, LLC, partially-owned affiliates have operated businesses like the Real Hot Yoga franchises being offered in this disclosure document since November of 2014, May of 2015, August of 2015, and September of 2017, respectively

We do not have any affiliates, parents, or predecessors that provide products or services to our franchises.

Real Hot Yoga, LLC, our affiliate, has operated a business like the Real Hot Yoga franchises being offered in this disclosure document since June of 2012.

### **Our Other Business Activities.**

We do not offer franchises in any other line of business. We are the sole exclusive supplier of Real Hot Yoga designed software (which is currently Mind Body Software), yoga towels, branded yoga mats, water bottles, and other branded items to Real Hot Yoga franchisees.

### **Our Business and the Franchise Offered.**

We do business under the name Real Hot Yoga and no other names. A Real Hot Yoga franchised business offers the ultimate hot yoga experience by providing students with a state-of-the-art facility in a warm, welcoming, and supportive environment. We offer the franchises under the form of a franchise agreement attached to this disclosure document (the “Franchise Agreement”).

As a Real Hot Yoga franchisee, you will use specialized business formats and systems, called the “System,” which we may modify, supplement, and update. You will use certain service or trademarks and other commercial symbols referring to the Real Hot Yoga brand, products, and services, which we call the “Marks.” Real Hot Yoga Franchised Businesses must provide all and only Real Hot Yoga products and services unless we consent in writing.

If you desire and qualify to develop multiple Real Hot Yoga Franchised Businesses, we offer the opportunity to enter into an Area Development Agreement with us (the “Area Development Agreement”). Under an Area Development Agreement, you are granted the ability to develop multiple Real Hot Yoga Franchised Businesses within a designated area (the “Development Area”) in accordance with a development schedule specified in the Area Development Agreement (the “Development Schedule”). Our current form of Area Development Agreement is attached as Exhibit “B” to this Disclosure Document.

For each Franchised Business that you open, you must sign a then-current form of the Real Hot Yoga Franchise Agreement. For each future unit franchise agreement, you may be required to sign a form of the franchise agreement that is different from the franchise agreement included in this disclosure document. If you do not open your Franchised Businesses per the Development Schedule, we may terminate the Area Development Agreement; you will lose the ability to develop other Real Hot Yoga Franchised Businesses under the Area Development Agreement, we may keep the full development fee, which you paid; however, the Franchise Agreements for the Real Hot Yoga Franchised Business already opened will not be terminated, because you did not follow the Development Schedule.

We may continue to develop new products and services, but we are not obligated to do so. If we do develop new products or services, we may offer you the opportunity to provide such products or services, but we are not required to offer you such opportunity, and if we do, we may require you to take additional training, pay additional fees, sign additional agreements or meet other requirements.

You have no obligation or right to open any additional Real Hot Yoga Franchised Businesses unless you sign an Area Development Agreement.

## Industry-Specific Regulations.

In addition to laws governing business generally, such as the Americans with Disabilities Act, Federal Wage, and Hour Laws, and the Occupation, Health and Safety Act, your Real Hot Yoga Franchised Business will be subject to and have to comply with Yoga Alliance’s 200-hour minimum certification for instructors.

There may also be state and local statutes, regulations, laws, licensure requirements, and ordinances specific to your state or local area. It is your responsibility to investigate and comply with all laws affecting your Franchised Business.

## General Description of the Market and Competition.

The yoga industry is competitive and developing with competition from local and national gym memberships, barre, pilates and yoga, cycle and spin studios, and other types of boutique fitness brands. The yoga industry is not seasonal.

The target audience for Real Hot Yoga businesses are overall, early persons in their 20s to mid-50s, with 75% female and 25% male, approximately.

### **Prior Business Experience.**

Real Hot Yoga, LLC, our affiliate, has operated a business like the Real Hot Yoga franchises being offered in this disclosure document since June of 2012. We have never operated the kind of business that is being offered in this franchise disclosure document.

We began Real Hot Yoga franchises as described in this disclosure document on March 12, 2020.

## **ITEM 2. BUSINESS EXPERIENCE**

### **Jeff Morin, VP of Franchise Sales**

Mr. Morin is and has been our VP of Franchise Sales and VP of Sales for our affiliate, Real Hot Yoga, LLC, since our and our affiliate's inception in November of 2019 and June of 2012, respectively.

### **Cindy Coats, VP of Brand Management**

Ms. Coats is and has been our and our affiliate, Real Hot Yoga, LLC's VP of Brand Management since our and our affiliate's inception in November of 2019 and June of 2012, respectively.

### **Aaron Goodman, VP of Operations**

Mr. Goodman is and has been our and our affiliate, Real Hot Yoga, LLC's VP of Operations since our and our affiliate's inception in November of 2019 and June of 2012, respectively.

## **ITEM 3. LITIGATION**

No litigation is required to be disclosed in this item.

## **ITEM 4. BANKRUPTCY**

Jeffrey Dominick Morin, our VP of Franchise Sales, filed for bankruptcy in the United States Bankruptcy Court Eastern District of New Jersey, case number 12-12263, on January 31, 2012. By a decree of the Court, the bankruptcy was discharged on January 18, 2013.

Aaron Goodman, our VP of Operations, filed for bankruptcy in the United States Bankruptcy Court District of Tennessee on April 18, 2013, case number 3:13-bk-31495. By a final decree of the Court, the bankruptcy was discharged as fully administered on July 29, 2013.

## **ITEM 5. INITIAL FEES**

### **Initial Franchise Fee.**

The Real Hot Yoga initial franchise fee is \$49,000. The initial franchise fee is uniformly charged for all franchises currently being offered. You must pay the initial franchise fee in full when you sign the franchise agreement. The initial franchise fee is considered fully earned and is nonrefundable.

### **Area Development Fee.**

The Area Development Fee is \$40,000 per additional franchise. Therefore, if you purchased one additional franchise under the Area Development Agreement, the Area Development fee would be \$40,000. If you purchased 5 additional franchises the Area Development Fee would be \$200,000. The Area Development Fee is payable 1/2 upon signing the Area Developer Agreement and 1/2 upon signing the franchise agreement for the additional territory. The Area Development Fee is uniformly charged for all Area Development Agreements currently being offered. The Area Development Fee is considered fully earned and nonrefundable upon payment.

### **Other Initial Fees.**

Prior to starting your Franchised Business, you must pay us \$4,400 for a Startup package that includes yoga towels, branded yoga mats, water bottles, and other branded items. The amount charged for this packet is uniformly charged all franchisees and is nonrefundable. You must also pay us a Technology Fee of \$650 per month (or \$1,950 for three months) the Real Hot Yoga Mind Body Software. The Technology Fee is uniformly charged all franchisees and is nonrefundable.

## Discounts.

### Veterans Discount

We offer a 10% discount on the Initial Franchise Fee to honorably discharged U.S. military veterans as an appreciation and financial incentive.

### Franchisee Discount

We offer a 20% discount on the Initial Franchise Fee to qualifying existing Real Hot Yoga franchisees as a thank you and financial incentive.

We reserve the option to discount initial fees, discontinue discount(s) offers at any time, or offer new discounts in the future.

The initial fees are not refundable under any circumstances. Except as explained and listed above, the Initial fees are uniformly calculated for all Franchised Businesses currently being offered.

## ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Revenues <sup>1</sup> each month after opening	5th of each month	Royalty Fees are payable by electronic funds transfer.
National Advertising Contributions	1% of Gross Revenues	5th of each month	National Advertising Contributions are contributions to the National Advertising Fund payable by electronic funds transfer.
Local Advertising	\$500 per month or 2% of Gross Revenues, whichever is more	As incurred	It is required that you spend this amount locally

Name of Fee	Amount	Due Date	Remarks
			to promote your Franchised Business.
Regional Advertising Cooperative	Up to 2% of Gross Revenue	As incurred	The amount is determined by the Cooperative but will not exceed the amount equal to 2% of Gross Revenue.
Technology <sup>2</sup>	\$650 per month	5th of each month	This amount is paid to us for the use of Real Hot Yoga (which is currently Mind Body Software) software and computer applications.
Late Fees	\$100	Upon demand	A late fee must be paid on any payment to us that is more than 5 days late.
Interest	18% per annum	Upon demand	In addition to the Late Fee, interest is assessed on any payment to us that is more than 30 days late. The interest accrues from the date the payment was due.
Insurance <sup>3</sup>	Amount of premium paid by Real Hot Yoga Franchise, LLC plus 20%	Upon demand	If you do not purchase insurance coverage as required, you must reimburse us this amount to secure insurance coverage.

Name of Fee	Amount	Due Date	Remarks
Additional Training and Conventions <sup>4</sup>	\$500 per day plus travel expenses for additional onsite support; \$500 per attendee additional training, national conventions, and for new, or replacement manager to attend the initial training	Upon your registration for the training, or convention	For training and support beyond the initial training and National Conventions, you must pay the current training fee.
Transfer Fee	\$25,000	Prior to the transfer of franchise or Area Development Agreement	A transfer includes any sale, assignment, conveyance, giving away, pledging, mortgaging, or otherwise encumbering any interest in ownership in the Franchised Business, Franchise Agreement, or Area Development assets outside of the normal course of business or ownership rights.
Renewal Franchise Fee	\$25,000	At least 9 months before the expiration of the franchise	In addition to paying this fee, other conditions must be met, as listed in the Franchise Agreement.
Interim Franchise Royalty Fees	Franchisor's then-current Royalty Fee plus 2%	5th of each month when applicable	An Interim Franchise Fee applies if your Franchise Agreement expires, no renewal franchise agreement is signed, and you continue operation of the Franchised Business.

Name of Fee	Amount	Due Date	Remarks
Relocation Fee	Variable	When applicable	If you relocate your franchise business, you must reimburse us for the cost and expense we incur in connection with your relocation.
Step-In Right Expenses <sup>5</sup>	Amounts will vary	As incurred	
Audit	All costs of inspection and audit	Upon demand	You must reimburse us audit expenses if the audit is initiated due to your non-compliance with the terms herein or the Operating Manual or if an inspection reveals an understatement of Gross Revenues by 3% or more.
System Standard Violation	All costs of inspection and audit	Upon demand	If you fail to adhere to the System Standards, you must reimburse us for any and all costs and expenses associated with counsel, inspection, support, assistance, enforcement rendered to and against Franchisee regarding said System Standards violation and/or non-compliance.
Cost of Enforcement	Cost including attorney fees	Upon demand	You must reimburse us for all costs to enforce obligations under the Franchise Agreement if we prevail.

Name of Fee	Amount	Due Date	Remarks
Indemnification	Cost including attorney fees	Upon demand	You must defend suits at your cost and hold us harmless against suits involving damages resulting from your operation of the Franchised Business.
Sales/Use Taxes <sup>6</sup>	Variable	Payable with your royalty fee or National Advertising Contribution payments	You must pay any state or local sales or use tax that may be assessed on fees paid to us.

Notes:

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<sup>1</sup>“Gross Revenues” means any and all money and other consideration you receive in connection with the ownership or operation of your Franchised Business and from the sale of any authorized products and services or from the sale of any goods or services under the Marks. Gross Revenues do not include sales or excise taxes that are separately stated and that you are required to collect from customers and pay to a governmental taxing authority.

<sup>2</sup> We may increase the Technology Fee upon 30 days written notice to you. The Technology Fee shall not increase more than 10% annually for any of our proprietary software or applications. For any third party software fee that we collect, the Technology Fee shall not be greater than 10% of actual cost of the third party software fees and expenses.

<sup>3</sup> You must purchase insurance in the following amounts and coverage: General Liability Insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in the franchise agreement. The policy or policies will insure against Our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against You.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

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Your insurance policies must insure us, you, and our respective affiliates, subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of your Business. Your policies of insurance will contain a separate endorsement naming us and our affiliates as additional named insureds. You are required to submit an insurance certificate to Our office on an annual basis.

<sup>4</sup> We provide a tuition-free initial Real Hot Yoga training program which includes orientation to the Real Hot Yoga system; customer service; operational management; financial management; computer software use; advertising and marketing; and reporting procedures. The training lasts up to 2 weeks or less depending on your existing experience level. We provide 4 days of free of cost onsite assistance upon opening. We may provide additional onsite assistance at our then current rate, which currently is \$500 per day plus travel expenses. We offer Initial Franchise Training for \$500 per attendee per additional, new, or replacement initial training attendees. We may provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement and will host national conventions at times and locations selected by us. You must attend the national convention. We may require attendance at other additional training programs. You must pay for all travel, lodging and other costs of attending training and the national convention.

<sup>5</sup> We may step in to operate your Business if we deem necessary to prevent any interruption or harm to Your Business or to the Real Hot Yoga System. Reasons may include Our determination that you: are incapable of operating the franchise; are absent or incapacitated because of illness or death; have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time. All revenue derived from our operation of Franchised Business will be credited to a separate account for your benefit, but we may pay from that account all expenses, debts and liabilities that we incur during our operation of Franchised Business.

<sup>6</sup> The royalties or other fees you pay to us may be entirely or partially subject to state or local sales or use tax, depending upon the laws in your state. If we are required to pay these taxes in your state, you must add the tax to what you pay us.

All fees are nonrefundable and uniformly imposed on all new franchisees. Some franchisees under future versions of our franchise agreement may be obligated to pay more, less, or different fees than what is listed here.

## **ITEM 7. ESTIMATED INITIAL INVESTMENT**

## YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	\$49,000	Lump-sum via Check or Wire	Upon Signing the Franchise Agreement	Us
Leasehold Improvements <sup>1</sup>	\$120,000 to \$240,000	As incurred	Before Beginning Operations	Lessor or Contractors
Real Estate/Rent <sup>2</sup>	\$3,000 to \$15,000	As incurred	Before Beginning Operations	Lessor
Utility Deposits <sup>3</sup>	\$500 to \$1,000	As incurred	Before Beginning Operations	Utilities
Furniture, Fixtures & Equipment <sup>4</sup>	\$10,000 to \$15,000	As incurred	Before Beginning Operations	Suppliers
Initial Inventory <sup>5</sup>	\$4,400 to \$5,000	As incurred	Before Beginning Operations	Us, Suppliers
Insurance <sup>6</sup>	\$400 to \$600	As incurred	Before Beginning Operations	Insurance Companies
Signage <sup>7</sup>	\$4,500 to \$10,000	As incurred	Before Beginning Operations	Suppliers

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Office Equipment & Supplies <sup>8</sup>	\$500 to	\$1,000	As incurred	Before Beginning Operations	Suppliers
Pre-Opening Expenses <sup>9</sup>	\$2,000 to	\$3,500	As incurred	Before Beginning Operations	Us and/or Suppliers
Computer Equipment (Hardware, Software, POS System, etc.) <sup>10</sup>	\$2,500 to	\$3,500	As incurred	Before Beginning Operations	Us and Suppliers
Training <sup>11</sup>	\$1,500 to	\$2,500	As incurred	Before Beginning Operations	Airlines, Hotels, other Suppliers
Licenses & Permits <sup>12</sup>	\$500 to	\$1,500	As incurred	Before Beginning Operations	Licensing Authorities
Legal & Accounting <sup>13</sup>	\$500 to	\$2,500	As incurred	Before Beginning Operations	Attorney, Accountant
Grand Opening Advertising <sup>14</sup>	\$4,500 to	\$5,000	As incurred	Before opening and during the first 3 months of operation	Vendors

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Additional Funds – three months <sup>15</sup>	\$20,000 to \$30,000	As incurred	As Necessary	Us, Vendors, Lessor, Etc.
TOTAL	\$223,800 to \$385,100			

Notes:

<sup>1</sup> The cost of the leasehold improvements will vary depending on (i) the size and configuration of the premises which will be approximately 2,000 to 2,400 square feet; (ii) pre-construction costs (e.g., demolition of the existing walls and removal of the existing improvements and fixtures); and (iii) cost of materials and labor which may vary based on geography and location.

The net cost of leasehold improvements includes floor coverings, wall treatments, ceilings, painting, electrical, carpentry, plumbing, HVAC, and similar work, as well as materials and the cost of labor. This estimate also includes amounts that you may expend in connection with architectural services.

For clarity, the estimate presented herein are net of tenant improvement amounts incurred and reimbursed by the landlord. This estimate assumes a landlord tenant allowance ranging from \$20,000 to \$200,000 or an average of \$90,000. The actual amount of tenant improvement allowances you will receive can vary depending on your lease negotiations and the landlord. The amounts that you pay for leasehold improvements are generally not refundable.

<sup>2</sup> The site for your Franchised Business is a real property space, which is a 2,000 to 2,400 square feet stand-alone building or space within a shopping center. The upper estimate is based on an assumption that you will have to pay a higher security deposit in addition to rent and the lower estimate is based on a lower security deposit. Some lessors may refund the security deposit if you cancel the lease before you occupy the sites.

<sup>3</sup> If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary on the local utilities. You should contact your local utilities for more information.

<sup>4</sup> You must purchase and/or lease and install furniture, fixtures and equipment and décor necessary to operate your Business from us, our affiliate, or an approved supplier. The cost of the furniture, fixtures and equipment will vary according to local market conditions, the size of the facility, suppliers and other related factors. We do not know if the amounts you pay for

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furniture, fixtures or equipment are refundable. Factors determining whether furniture, fixtures and equipment are refundable typically include the condition of the items, level of use, length of time of possession and other variables. You should inquire about the return policy of the suppliers at or before the time of purchasing or leasing. We reserve the right to require that you purchase your furniture, fixtures and equipment from us or our affiliate.

<sup>5</sup> You must purchase an initial inventory for your Business. The money you pay for inventory items may not be refundable depending on the purchase arrangements. Factors determining whether inventory are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. Prior to starting your Franchised Business, you must pay us \$4,400 for a Startup package that includes yoga towels, branded yoga mats, water bottles, and other branded items. The amount charged for this packet is uniformly charged all franchisees and is nonrefundable.

<sup>6</sup> You must purchase insurance in the following amounts and coverage: General Liability Insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

The insurance will not be limited in any way because of any insurance we maintain. Maintenance of the required insurance will not diminish your liability to us under the indemnities contained in the franchise agreement. The policy or policies will insure against our vicarious liability for actual and (unless prohibited by applicable law) punitive damages assessed against you.

We may require you to increase the minimum limits of and types of coverage to keep pace with regular business practice and prudent insurance custom.

Your insurance policies must insure us, you, and our respective affiliates, subsidiaries, owners, officers, directors, partners, members, employees, servants, and agents against any loss, liability, products liability, personal injury, death or property damage that may accrue due to your operation of your Business. Your policies of insurance will contain a separate endorsement naming us and our affiliates as additional named insureds. You are required to submit an insurance certificate to our office on an annual basis.

<sup>7</sup> This range includes the cost of all signage used in your Business. The signage requirements and costs will vary based upon the size and location of the Site, local zoning requirements, landlord requirements and local wage rates for installation. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase. We must approve all signage before you order it.

<sup>8</sup> You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include market conditions, competition amongst suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. Factors determining whether office equipment and supplies are refundable typically include the condition of the items at time

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of return, level of use and length of time of possession. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

<sup>9</sup> Included in this estimate are expenses related to pre-opening payroll, cleaning and preparation, telephone and other communication expenses, and electricity.

<sup>10</sup> You must purchase the computer equipment, hardware and software necessary for operating the franchise. We currently require you to have and use 3 MacBook computers with Mind Body installed, receipt printer, card reader, scanner, Constant Contact, Perksville, Brandbot. We are the sole exclusive supplier of Real Hot Yoga designed software (which is currently Mind Body Software).

We do not know if the amounts you pay for the computer equipment may be refundable. The amounts you pay for computer equipment are typically non-refundable, or if refundable, may be subject to a "restocking" fee. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. You must use the POS system that we designate.

<sup>11</sup> The cost of initial training for you and your Franchised Business Designated Manager is included in the Initial Franchise Fee. This amount reflects your travel and stay expenses during the training period. You must pay us additional tuition for additional trainees beyond you and your designee at our then-current rate, which is currently \$500 per attendee per training, per person and \$500 per day plus travel expenses for onsite training.

<sup>12</sup> State and local government agencies typically charge fees for occupancy permits, operating licenses, health department licenses and construction permits. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

<sup>13</sup> You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchise. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

<sup>14</sup> This is the recommended amount that you spend on advertising upon opening. The range will depend on your Territory and local market demographics.

<sup>15</sup> We recommend that You have a minimum amount of money available to cover operating expenses, including additional inventory, supplies, professional fees, and employees' salaries for the first 3 months that your Business is open. These are only estimates based on our affiliate's experience in opening and operating a similar business. The predominant factors for calculating the 3-month estimate are amounts paid for employee wages and inventory. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high. These expenses are typically non-refundable.

In compiling this chart, we relied on research and investigation regarding the operating history, knowledge and experience of similar Businesses and the startup operation of Real Hot Yoga businesses. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your Site, the capabilities of your management team, and your business experience and acumen. These figures are estimates only and we cannot guarantee that You will not have additional expenses in starting the franchise.

The total figure listed in the table above does not include compensation for your time or labor. Nor does the total figure take into account any finance charges, interest, debt service, or other costs which you may incur to finance all or any portion of your investment. In addition to the initial investment itemized in the table above, you must have additional monies available, whether in cash or through a line of credit, or have other assets that you can liquidate or against which you can borrow, to cover your personal living expenses and any operating losses sustained during the initial phase of your business. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not offer direct or indirect financing for any of your initial investment. All amounts paid to us are nonrefundable. Typically, amounts paid to third parties will not be refundable unless agreed.

## Area Development

If you desire to purchase additional territories and qualify for Area Development Agreement, your additional estimated initial Investment will be as follows

### YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Area Development Fee <sup>1</sup>	\$40,000 to \$200,000	Lump-Sum	The development fee is payable 1/2 upon signing the Area Developer Agreement and 1/2 upon signing the	Us

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
			franchise agreement for the additional territory	
TOTAL	\$40,000 to \$200,000			

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<sup>1</sup> If you desire and qualify for more than one Territory, an Area Development Fee is \$40,000. per additional franchise. The upper range is for 5 additional Franchises and the lower range is for 1 additional franchise.

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

### Specifications.

Every detail of Real Hot Yoga Franchised Businesses is important, not only to your Franchised Business but also to us and other Real Hot Yoga franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services offered by all franchisees, to establish and maintain a reputation for uniform, efficient, high-quality products and services, and to protect the goodwill of all Real Hot Yoga franchises. You agree to comply with Real Hot Yoga uniform specifications, standards, operating procedures, and rules for the development and operation of your Real Hot Yoga Franchised Businesses (collectively referred to as System Standards). System Standards are described in the Real Hot Yoga Operating Manual and otherwise communicated to you. The Real Hot Yoga System and Operating Manual are occasionally updated, supplemented, modified, and enhanced.

### Current Specification.

Below is a listing of Real Hot Yoga specifications and System Standards for the identified categories.

### Insurance.

You must obtain and provide us with evidence of insurance in at least the minimum amounts and with the coverage as follows: General Liability Insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 aggregate. The Franchisee shall maintain Workman's Compensation, Unemployment Compensation, disability insurance, social security, and other similar types of insurance coverage in such amounts as may now or hereafter be required by any applicable law.

Evidence of this insurance must be initially provided at least 10 days before you begin the operation of your Real Hot Yoga Franchise Business. A certificate of renewal must be provided no later than 10 days before the expiration date of each policy. Each required policy of liability insurance must name us as an additional insured and must provide that we will be given at least 30 days' notice before cancellation, modification, or amendment of the policy.

### The site of the Franchise Business.

The site for your Franchised Business is a real property space ("Site"). For leasehold Site improvements, we provide building specifications for your real property space, we review your design plans, and you must retain a licensed architect. The Site must be approved by us.

### Supplies, Fixture, Equipment, Inventory.

All the equipment, supplies, fixtures, inventory, products for your Franchised Business must comply with Real Hot Yoga Standards and specifications.

### Advertising.

You shall use, display, and publish the Real Hot Yoga Marks per System Specification. All of your Real Hot Yoga advertising in any medium must be conducted in a dignified manner, be completely accurate and truthful, and conform to all applicable laws and regulations relating to consumer advertising and Real Hot Yoga System Standards. You must submit to us and obtain our prior approval for all advertising and promotional plans and materials, and all other materials displaying the Real Hot Yoga Marks. You may not use your advertising materials unless we issue you written approval to do so. Post submission to us, we shall within fifteen (15) days notify you of approval or disapproval of advertisements.

### Computer System.

You must buy and use 3 MacBook computers with Mind Body installed, receipt printer, card reader, scanner, Constant Contact, Perkkville, Brandbot. You may not install or permit to be installed, any devices, software, or other programs not approved by us for use with the communication and information system. We may, from time to time, develop or authorize others to develop proprietary software programs for use in the Real Hot Yoga System, which you may be required to purchase or license, and use. You may be required to execute any license, sublicense, or maintenance agreement and pay any applicable fees, including maintenance, upgrade and support fees required by us or any other approved licensor or approved supplier of such proprietary software programs.

### Designated and Approved Suppliers

For any product or service that we designate an approved supplier, you may not purchase these products and services from any other suppliers. We may designate new or different approved suppliers, including designating ourselves or one of our affiliates as an approved supplier of any goods or services.

We are the sole exclusive supplier of Real Hot Yoga designed software (which is currently Mind Body Software), yoga towels, branded yoga mats, water bottles, and other branded items to Real Hot Yoga franchisees. We do not have any affiliates, parents, or predecessors that provide products or services to our franchisees.

The criteria for designating approved suppliers include a supplier's ability to meet quality standards, availability, and consistency of the products or services. The criteria for the designating and approving suppliers are not published and are not made available to franchisees. Franchisees may not contract with alternative suppliers for designated products or services.

To approve a supplier, we require a sample of the product(s), information regarding the product or service's quality standards, availability, terms, and conditions of purchase, and other information as we may request. If desired, we may request a physical inspection of the supplier's place of business or manufacturing facility. Upon submission of samples and information required for approval, we will provide notification within 30 days of our approval or disapproval of a supplier. As a condition of approval, we require the reimbursement of any costs or expenses we incur in approving the supplier. We may revoke the approval of any supplier upon 30 days' written notice to franchisees.

We estimate that assuming the estimated minimum initial costs to begin operations and other financial obligations are within the ranges described in Item 7 of this disclosure document, the proportion of your purchases and leases of goods and services from approved suppliers or of products that meet our specifications to be approximately 90% to 100% of all the purchases and leases in establishing your Real Hot Yoga Franchised Business and approximately 90% to 100% of your ongoing costs of operating your Real Hot Yoga Franchised Business.

Real Hot Yoga Franchise, LLC, nor any of its affiliates derive any revenue from required purchases and leases to Real Hot Yoga franchisees or suppliers in the calendar year 2021. However, Franchisor reserves the right to derive revenues from you or vendors that provide services to Real Hot Yoga in the future.

No Franchisor Real Hot Yoga Franchise, LLC officers, directors, or managers have an interest in any of the suppliers.

You are required to purchase flooring, a heating system including furnace and humidifier , HVAC consulting services, hard goods, some clothing, and logo items from suppliers and vendors that we designate or approve.

Currently, there are no formal or mandatory purchasing or distribution cooperatives, but we reserve the right to institute them in the future. We have not negotiated any purchase arrangements with suppliers, including for price or terms that the benefit of franchisees, but we may and reserve the right to negotiate purchase arrangements in the future.

We do not provide a material benefit to franchisees based on a franchisee's purchases of particular products or services or the use of particular suppliers.

## ITEM 9. FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations under these agreements and in other items of this disclosure document.**

The Section references are to those in the Franchise Agreement and Area Development Agreement (ADA) unless otherwise noted.

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
a. Site selection and acquisition/lease	Article II	Items 6 and 11
b. Pre-opening purchase/leases	Section V(B)	Item 8
c. Site development and other pre-opening requirements	Article V ADA Article III	Items 6, 7, and 11
d. Initial and ongoing training	Article VI	Item 11
e. Opening	Section V(E) and Section V(F) ADA Article III	Item 11
f. Fees	Article IV ADA Article II	Items 5 and 6

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
g. Compliance with standards and policies/operating manual	Article VII and Article XIV	Item 11
h. Trademarks and proprietary information	Article XIII ADA Article V	Items 13 and 14
i. Restrictions on products/services offered	Section VII(C)	Item 16
j. Warranty and customer service requirements	Section VIII(G)	Item 11
k. Territorial development and sales quotas	Not Applicable ADA Article III	Item 12
l. Ongoing product/service purchases	Article X, Article VII	Item 8
m. Maintenance, appearance, and remodeling requirements	Section V(H)	Item 11
n. Insurance	Article XII	Items 6 and 8
o. Advertising	Article XVI	Items 6 and 11
p. Indemnification	Article XIII	Item 6
q. Owner's participation/management/staffing	Section VIII(A)	Items 11 and 15

Obligation	Section in Franchise Agreement	Item in This Disclosure Document
r. Records and reports	Article XI	Item 6
s. Inspections and audits	Section XI(B)	Item 17
t. Transfer	Article XVII ADA Article VII	Item 17
u. Renewal	Section III(B)	Item 17
v. Post-termination obligations	Article XIX	Item 17
w. Non-competition covenants	Article XX ADA Article IX	Item 17
x. Dispute resolution	Article XXI ADA Article XI	Item 17
y. Other:	Not Applicable	Not Applicable

## ITEM 10. FINANCING

We do not offer any direct or indirect financing. We do not guarantee your note, lease, or obligation.

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

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

### **Pre-Opening Obligations**

1. The site for your Real Hot Yoga Franchised Business is a real property space (Site). We do not select the site for your Real Hot Yoga Franchised Business. We approve the Site for your Franchised Business (Section IV of the Franchise Agreement) (Article III of the Area Development Agreement).
2. For your Site, we provide building specifications for your real property space, we review your design plans and you must retain a licensed architect (Section IV of the Franchise Agreement).
3. We provide you with the standards, specifications, and a list of designated and approved suppliers for all décor, equipment, signs, fixtures, opening inventory, supplies, products, and other materials you will need to operate the franchised business. We do not deliver or install equipment for your site. We do not have any affiliates, parents, or predecessors that provide products or services to our franchises. We are the sole exclusive supplier of Real Hot Yoga designed software (which is currently Mind Body Software), yoga towels, branded yoga mats, water bottles, and other branded items to Real Hot Yoga franchisees. We do not provide delivery or installation. (Section VI of the Franchise Agreement).
4. We provide a listing of all products and services that your Franchised Business may offer (Franchise Agreement Article VI).
5. We provide final written approval prior to the opening of your Real Hot Yoga Franchised Business. (Section IV of the Franchise Agreement).
6. We provide 4 days of free of cost onsite assistance upon opening. We may provide additional onsite assistance at our then-current rate, which currently is \$500 per day plus travel expenses (Section IV of the Franchise Agreement).
7. We approve the Designated Manager of your Franchised Business. We do not select or hire your employees. (Section VII of the Franchise Agreement).
8. We provide you with an initial training program as further described in this item (Section V of the Franchise Agreement).
9. We loan or make available to you a copy of the Real Hot Yoga Operating Manual, which is confidential and will remain our property. We may modify the Operating Manual from time to time, but the modification will not alter your status and rights under the

Franchise Agreement. (Section XIV of the Franchise Agreement). The table of contents is listed in EXHIBIT J. Operating manual has approximately a total of 187 pages.

## After the Franchised Business Opens

1. In the event of relocation, we do not select the site for your Franchised Business. We approve the Site for your Franchised Business (Section IV of the Franchise Agreement).
2. For your Site, we provide building specifications for your real property space, we review your design plans and you must retain a licensed architect for the site of your Franchised Business upon relocation or remodeling or updating upon relocation. (Section IV of the Franchise Agreement).
3. We maintain and provide updated standards, specifications, and designated and approved suppliers for all the equipment, supplies, products, and other materials you will need to operate the franchised business (Section VI of the Franchise Agreement).
4. We maintain and provide an updated listing of all products and services that your Franchised Business may offer (Franchise Agreement Article VI)
5. We provide initial training for replacement staff and managers (Section V of the Franchise Agreement).
6. We may provide additional and on-going training for staff and managers (Section V of the Franchise Agreement).
7. We may organize an annual conference for all Real Hot Yoga franchisees and staff (Section V of the Franchise Agreement).
8. If you do not resolve a dispute with a client, we may investigate the matter and resolve the dispute (Franchise Agreement VII).
9. We provide continuing assistance in operating your Real Hot Yoga Franchise Business (Section V of the Franchise Agreement).
10. We loan or make available to you any updates and changes to the Real Hot Yoga Operating Manual (Section XV of the Franchise Agreement).
11. We may review your Real Hot Yoga advertising material (Section XV of the Franchise Agreement).
12. We provide recommended and suggested pricing for the Franchised Business products and services. You must fully participate, honor, and comply with any and all System, local, regional, seasonal, promotional, and other programs, initiatives, and campaigns adopted by us that we require you to participate in (Section VI of the Franchise Agreement).
13. We approve any replacement Designated Manager of your Franchised Business. We do not select or hire your employees. (Section VIII of the Franchise Agreement).

## Advertising.

At your request, we will provide marketing consultation, general advertising strategy, promotional planning, and budgeting. We are not obligated to conduct advertising or spend any amount of money on advertising in your Territory or area. We are not obligation to conduct local, regional, or national advertising except as provided below.

## Your Advertising.

You must submit to us for our prior approval samples of all advertising and promotional plans, materials, and all other materials displaying the Marks, and we will provide you written approval or disapproval in 15 days. You may not use your own advertising materials or other materials that bear the Marks unless you have received our prior written approval.

You may not establish or maintain a domain name, an internet website, or webpage that relates to or advertises your Real Hot Yoga Franchised Business or displays the Marks, as we reserve the exclusive right to control any websites or web pages concerning Real Hot Yoga Franchised Businesses and the Marks. We have the right to use and have ownership of any Franchisee developed advertising.

We are not obligated to conduct advertising or spend any money on advertising in your Territory or area except as provided below. We are not obligated to conduct local, regional, or national advertising except as provided below.

## Local Advertising.

You must expend sufficient monies, resources and conduct advertising and public relations within the local area to promote your Real Hot Yoga Franchised Business. Currently, it is required you spend \$500 per month or 2% of Gross Revenues, whichever is more on local advertising (Local Advertising).

## Grand Opening.

It is recommended that you spend at least \$4,500 to \$5,000 on grand opening advertising during the first 3 months of operation. You may choose to spend more. Factors that may affect your decision on the actual amount to spend includes local media cost, the location of the Franchised Business, and customer demographics in the surrounding area.

## Regional and Local Advertising Cooperatives.

We may designate any geographical area in which at least two Real Hot Yoga Franchised Businesses are located for the purpose of establishing a local or regional marketing and advertising cooperative (Cooperative). Each Cooperative will be organized and governed in a manner approved by us in writing. If your Territory is within the geographic boundaries of a Region or Local Cooperate that we designate, you will be required to participate in the cooperative. The members of the Cooperative will determine the amount of the Cooperative Contribution, but the Cooperative Contribution may not exceed 2% of Gross Revenue. Within thirty days after the end of each calendar month, each Cooperative will prepare an unaudited

statement of the Cooperative's financial position and results of operations of the Cooperative. Each member of the Cooperative will be entitled to receive a copy of the Cooperative's financial statements upon request. For each Real Hot Yoga business operated by us or our affiliates in a geographical area for which a Cooperative has been established, we will make a Cooperative Contribution on the same basis as assessments required of comparable franchises that are members of the same Cooperative. If outlets owned by us have the controlling voting power, Cooperative Contribution will not exceed 2% of Gross Revenue. You do not have the right to form, change, dissolve, or merge any Regional Advertising Cooperative. The Regional Advertising Cooperative shall be administered by us. There are currently no Regional Advertising Cooperatives or governing documents available for your review.

### National Advertising Fund.

You are obligated to contribute up to 1% of Gross Revenues to the Real Hot Yoga National Advertising Fund. All contributions to the Real Hot Yoga National Advertising Fund are maintained in a separate account and may be used for maintaining, administering, researching, directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns, which may be local, regional or national, in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development; and developing and providing promotional and other marketing materials for franchisees in the System. We are reimbursed for any labor or services that we provide to the fund and for any costs that we incur for or on behalf of the fund. We may loan the National Advertising Fund additional funds if needed. For each of our company-owned locations (if any), we will make contributions to the National Advertising Fund on the same basis as assessments required of comparable franchises within the System. Franchisees that contribute to the fund may obtain a copy of the unaudited financial statements of the fund after April 30<sup>th</sup> of each year upon written request to us. Except as disclosed above, neither we nor any affiliate of ours will receive any payment from the fund. We do not use any National Advertising Fund dollars for soliciting new franchise sales. (Sections IV of the Franchise Agreement).

The National Advertising Fund did not collect any contributions in 2021. If, however, excess amounts remain in the National Advertising Funds at the end of year, the unused monies shall be retained by the National Advertising Fund and all expenditures in the following year(s) shall be made first out of accumulated earnings from previous year(s), next out of earnings in the current year, and finally from contributions.

### Franchise Advisory Council.

We may establish a Franchise Advisory Council. The purpose of the Franchise Advisory Council is to facilitate communication between our franchisees and us, which will lead to mutual growth, development, and profitability of the entire Real Hot Yoga System. You shall participate, at your sole expense, in local, regional, and national franchise advisory committees or councils if established or sanctioned by us. The Council serves in an advisory capacity only and does not have the authority to establish or modify our policies. We have the power to determine membership, the election of Council Officers, and change or dissolve the Franchise Advisory Council.

## Computer Requirements.

You must buy and use 3 MacBook computers with Mind Body installed, receipt printer, card reader, scanner, Constant Contact, Perkvilla, Brandbot. We estimate the cost of leasing or purchasing the computer system to be \$2,500 to \$3,500.

It is your obligation to maintain, repair, upgrade, and update your computer system. Without a contractual limit on frequency and cost, you are required to lease, buy, use, update, and upgrade the computer hardware and software that we designate and stipulate. We are not required, and we do not require our affiliates or third parties to maintain, repair, upgrade, and update your computer system. We estimate annual costs of any optional or required maintenance updating, upgrading, or support contracts for the cash register or computer systems to be \$9,000 to \$12,000 — Article X of the Franchise Agreement.

You must pay us a Technology Fee of \$650 per month on the 5th of each month for the use of the computer system software and applications. We may increase the Technology Fee upon 30 days written notice to you. The Technology Fee shall not increase more than 10% annually or no more than 10% greater than the actual cost of the software.

You will use your computer system to maintain information about your clients, prepare proposals and invoices, maintain the financial records of the franchised business, access internet sites, and communicate with prospective and current clients, suppliers, us, and others via e-mail. You must provide us with independent access to all of the information that will be generated and stored on your computer system if we request it, including the delivery of a backup of your database. There are no contractual limitations on our right to access the information.

## Site Selection and Opening.

The site for your Franchised Business is a real property space (Site), which is 2,000 to 2,400 square feet stand-alone building or space within a shopping center. We do not select your site. Your site is subject to our approval (Section IV of the Franchise Agreement). We generally do not own or lease the premises or Site to franchises for the operation of the Franchised Business. To obtain our approval, you must provide all information and documents about the site that we require. The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. For your Site, we provide building specifications for your real property space, we review your design plans and you must retain a licensed architect for the Site of your Franchised Business (Section IV of the Franchise Agreement). You are responsible for obtaining any required permits for construction or remodeling. We may but are not obligated to provide you with assistance to ensure that your Site conforms to local ordinances and building codes and obtaining any required permits for construction or remodeling.

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the franchise, and opening the franchised business varies, but you should be able to commence operation within 270 days after signing as required by the Franchise Agreement. Factors affecting this time period include: how long it takes to complete any

modification of your Real Hot Yoga site, completion of financing arrangements, compliance with local ordinances and obtained permits, obtained and installed equipment, your previous employment commitments (if any), your ability to complete our training program, and/or hiring and training personnel.

If you do not secure a Site, or we do not approve a Site for your Franchised Business within 90 days, or you do not open your Franchised Business within 270 days, we may terminate your Franchise Agreement and retain all monies that you have paid us or our affiliates.

We do not select the site for any additional franchises under your Area Development Agreement, and we generally do not own the premises or lease sites for the Franchised Businesses under the Area Development Agreement. We approve each additional Sites for the Franchised Businesses under the Area Development Agreement. Our then-current standards for Sites' approval will apply. For your Site, we provide building specifications for your real property space, we review your design plans and you must retain a licensed architect for the additional Sites of your Franchised Business. (Article III of the Area Development Agreement)

The typical length of time between the signing of the Area Development Agreement, or the first payment of consideration for the Area Development Agreement and securing the lease for the additional each franchise under the Area Development Agreement is an additional 12 months for each franchise. You must open each additional franchised business under the Area Development Agreement within an additional 12 months for each franchise. Factors affecting this time period include how long it takes to complete any modification of your Real Hot Yoga site, completion of financing arrangements, compliance with local ordinances and obtain permits, obtain and install equipment. If you do not secure a lease or fail to obtain our approval for a lease within the additional 12 months for each additional franchise, or do not open the additional franchised businesses within the additional 12 months under the Area Development Agreement, we may terminate the Area Development Agreement, but we may not terminate the franchise agreements for the franchised businesses already open for your failure to open or secure a lease within the required time period. (Article III of the Area Development Agreement)

## Training Program.

We provide a tuition-free initial Real Hot Yoga training program, which includes orientation to the Real Hot Yoga Franchise, LLC system; client service; operational management; financial management; computer software use, advertising and marketing, and reporting procedures. The training lasts up to 1 weeks or less, depending on your existing experience level. It is currently held at our Knoxville, Tennessee location, but we may hold the training at one of our other locations in the future. Instructional materials may include manuals, videos, scripts, and PowerPoint presentations. Training is not scheduled on a regular basis but will be offered to you before opening the franchised business. You and your Franchised Business Designated Manager must attend and successfully complete to our satisfaction the initial training 30 days prior to opening. You must pay for all travel, lodging, and other costs of initial training attendance. Thereafter, we may charge a fee for attendance of the initial training for new and replacement managers. Our current fee for a replacement and new managers is \$500 per attendee .

## **TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Finding and Leasing a Location	1		Knoxville, Tennessee
Accounting and Insurance	2	2	Knoxville, Tennessee
Design and Décor	2	2	Knoxville, Tennessee
Construction and Equipment	1	1	Knoxville, Tennessee
Signage	1	1	Knoxville, Tennessee
Preparing to Open	3	3	Knoxville, Tennessee
Items Offered for Sale	8	16	Knoxville, Tennessee
Preparation of Products	4	6	Knoxville, Tennessee
Paperwork and Controls	3	2	Knoxville, Tennessee
Evaluation and Compliance	5	5	Knoxville, Tennessee

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Cleaning and Maintenance	3	3	Knoxville, Tennessee
Promotion and Marketing	2	2	Knoxville, Tennessee
Total	35 Hours	43 Hours	

Instructor for Initial Franchise Training are:

Jeff Morin is our VP of Franchise Sales. Mr. Morin has worked as VP of Sales with the Real Hot Yoga brand since 2012.

Cindy Coats is our and our affiliates' VP of Brand Management. Ms. Coats has worked as VP of Brand Management with the Real Hot Yoga brand since 2012.

Aaron Goodman is our and our affiliates' VP of Operations. Mr. Goodman has worked as VP of Operations with the Real Hot Yoga brand since 2012.

We may change, add to, or make substitutions for the subjects and instructors listed in the tables and above as necessary or appropriate. All instructors and substitute instructors will have a minimum of one-year experience in the Real Hot Yoga System or the subject matter, which they provide training and instruction.

We may provide additional training programs at reasonable times and at locations selected by us during the term of the Franchise Agreement and will host national conventions at times and locations selected by us. You must attend the national convention. We may require attendance at other additional training programs. You must pay for all travel, lodging, and other costs of attending training and the national convention. We may charge a reasonable per diem fee for other training programs.

You are encouraged to schedule your training as soon as possible after executing the Franchise Agreement. We will not be liable for your costs or expenses if we terminate the Franchise Agreement because mandatory training is not completed to our satisfaction.

You are responsible for all expenses you and your employees incur to attend the initial training, including wages, benefits, transportation, meals, accommodations, and entertainment. Other than providing initial training, we do not provide any other assistance with the hiring or training of your employees.

## **ITEM 12. TERRITORY**

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

Your Real Hot Yoga Franchised Business will operate from a real property space (Site). We approve the Site for your Franchised Business.

You may relocate the Site of your Franchised Business so long the new Site meets our then-current Site requirements, and you reimburse us for any costs and expenses we incur in your relocation. Currently, for relocation and Site selection, the Site must be approved by us, and we provide building specifications for your real property space, we review your design plans, and you must retain a licensed architect. As a relocation fee, you are obligated to reimburse for any cost and expense that we incur reviewing or approving your relocation.

Subject to the Franchise Agreement Terms, you are granted a territory, which is the lesser of a 3-mile radius from the Site or a population of 50,000 persons ("Territory"). You may only sell and accept orders from the Site; and only advertise, solicit, and offer to sell within the Territory. You do not have the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory unless we give you written consent to serve another specified area where no other Real Hot Yoga franchise or company-owned unit is located. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other fees to us for the services performed or products sold.

We promise and agree not to operate a business using the Real Hot Yoga System and the Marks within the Territory or authorize anyone else to operate a business using the Real Hot Yoga System and the Marks within the Territory during the term of the Franchise Agreement if you are complying with the Franchise Agreement and subject to these limitations. We are not obligated to ensure that no other franchise will conduct operations in your Territory. Although such activities are discouraged, we reserve the right to determine how to respond to any such situation. We are not required to pay you for our or other franchisees soliciting or accepting orders within your Territory.

We reserve the right to limit your Territory as follows:

Own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks outside the Territory.

Acquire a system of Competitive Businesses with units located within your Territory or outside the Territory.

Sell or franchise others to sell the services and products authorized for Real Hot Yoga Franchised Businesses using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution; venues; site or location models other than the model concepts of your Franchised Business, which is a real property space; joint marketing with partner companies; direct mail; catalog sales; internet sites; and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate.

Advertise, promote, market, or sell goods or services using the Real Hot Yoga Marks over the internet, the World Wide Web, or any other electronic network.

Offer and sell the services and products authorized for Franchised Business using the Real Hot Yoga Marks or other trademarks, service marks and commercial symbols to Special Accounts.

Own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in Special Venues.

We nor our affiliates operate or have plans to operate or franchise others to operate a business selling the same goods or products under a different name or solicit clients within your Territory except as stated above.

## Special Venues.

We or other franchisees or licensees may own, acquire, establish or operate businesses like the Real Hot Yoga Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venues where there is a captive audience and where the primary purpose is other than patronizing a Real Hot Yoga business (referred herein as a "Special Venue"), in the way of examples, but not an exhaustive list: malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within or outside of the Territory or Development Area.

## Special Accounts

The Franchisor has the exclusive right to contract with clients whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single Real Hot Yoga territory or the trading area of a single Franchise, Franchisor-owned or Affiliate-owned business (referred to herein "**Special Accounts**"). If Franchisor establishes a contract for facilities of a Special Account located in the Territory, Franchisor shall offer Franchisee the first option of providing the services to the Special Account at those facilities in the Territory at the prices and subject to the contract requirements negotiated by Franchisor with the Special Account. If

Franchisee accepts the project, Franchisor will collect all amounts due from the Special Account and remit to Franchisee the amount due for products and services rendered Special Account, less the amount of Royalties and other fees due under this Agreement. All amounts collected from Special Accounts on Franchisee's behalf or by Franchisee from Special Accounts will be included in Franchisee's Gross Revenues for purposes of calculating Royalties other fees due under this Agreement.

If Franchisee declines to accept the project, Franchisor will have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner it deems suitable, including through another Real Hot Yoga Franchisee, a Franchisor or Affiliate-owned business, or a third-party contractor. Additionally, if at any time a Special Account for any reasonable requests that services in the Territory be provided by someone other than Franchisee, Franchisor may revoke Franchisee's option or right to provide or continue to provide the services and may fulfill the contract requirements of the Special Account in the Territory in any manner Franchisor deems suitable.

## Acquisition of Competing System

If you are in compliance with the Franchise Agreement and we acquire a system of Competitive Businesses (an "Acquired Systems") during the term of the franchise agreement, we will offer you the option to purchase and operate, as a Real Hot Yoga Franchise, any unit of the Acquired Systems (an "Acquired Unit") that is both purchased by us for operation by us or our Affiliate (e.g., the unit will not be operated by a licensee of the Acquired Systems) and is located within your Territory. We shall provide you with written notice of our purchase of the Acquired Systems, the terms, and conditions applicable to your option to purchase Acquired Units, and such other information that we believe is necessary to be included in the notice. If you do not elect to purchase or fail to complete the purchase of an Acquired Unit within two (2) months after notice, we can operate through an Affiliate or third-party licensee, the Acquired Unit under any trade name or trademark other than Real Hot Yoga Marks. You have no right to purchase, and we are not obligated to offer you any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired Systems. We may license such units to be operated under any trade name or trademarks other than Real Hot Yoga Marks and may also license additional units of the Acquired Systems to be developed and operated within your Territory.

If you are in good standing under the Franchise Agreement and otherwise meet our financial qualifications, you may request that we sell you another Real Hot Yoga franchise. We reserve the right to determine whether to sell you another franchise. If you buy an additional franchise, it will be under the then-current form of Franchise Agreement and other applicable agreements that may be different from those described in this disclosure document.

Your Franchise Agreement does not give you any other options, rights of first refusal, or similar rights to acquire additional franchises within the territory or contiguous territories. Your Territory rights are not dependent on achieving a certain sales volume or market penetration. We may establish another franchise or company-owned location in the Territory if you fail to comply with the Franchise Agreement. Except as disclosed in Item 12, there are no other circumstances that permit us to modify your territorial rights.

## Area Development Program

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

If you sign an Area Development Agreement, your rights to the Development Area will be protected as set forth in the Area Development Agreement. The Development Area Territory will depend on the number of additional franchises granted under the Area Development Agreement. For each additional franchise under the Area Development Agreement, the Territory will be a multipliable of 3-miles or a population of 50,000 persons. For example, if 3 additional franchises are granted under the Area Development Agreement, the Area Development Territory would be 15 miles or a population of 150,000 persons, whichever is less. The Development Area Territory is determined as mutually agreed upon by you and us and set forth in the Area Development Agreement at the time of the signing of the Area Development Agreement.

While the Area Development Agreement is in effect, provided that you open and operate Real Hot Yoga Franchised Businesses in accordance with the Development Schedule and the minimum number of Franchises that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, we will not operate, or license any person other than you to operate, a Real Hot Yoga Franchised Business under the Marks and the System within the Development Area.

We reserve the right to own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, outside the Development Area; acquire a system of Competitive Businesses with units located within your Development Area or outside the Development Area; sell the services and products authorized for Real Hot Yoga Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, joint marketing with partner companies, direct mail, catalog sales, internet sites, and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate; advertise, promote, market or sell goods or services using the Real Hot Yoga Marks over the internet, the World Wide Web or any other electronic network; offer and sell the services and products authorized for Franchised Business using the Real Hot Yoga Marks or other trademarks, service marks and commercial symbols to Special Accounts; own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in Special Venues.

We do not select the Site for any additional franchises under your Area Development Agreement, and we generally do not own the premises or lease sites the Franchised Businesses under the Area Development Agreement. We approve the Sites for each additional Franchised Businesses under the Area Development Agreement. For your Site, we provide building specifications for your real property space, we review your design plans and you must retain a licensed architect for the additional Sites of your Franchised Businesses.

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the Area Development Agreement, and opening the franchised business varies, but you should be able to commence operation within an additional 270 days for each

additional franchise business after signing as required by the Area Development Agreement. Factors affecting this time period include how long it takes to complete any modification of your Real Hot Yoga Site, completion of financing arrangements, compliance with local ordinances and obtain permits, obtain and install equipment. If you fail to adhere to the Development Schedule, we may terminate the Area Development Agreement, and all of your territorial rights will be eliminated. We otherwise will not change the size of your Development Area. Your Area Development Agreement does not give you any other options, rights of first refusal, or similar rights to acquire additional franchises within the territory or contiguous territories. If a default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement, we may terminate your Area Development Agreement. However, a default under the Area Development Agreement is not cause for termination of any existing Franchise Agreement.

### **ITEM 13. TRADEMARKS**

Our trademark, REAL HOT YOGA (DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS) (the “Mark”) is registered with the United States Patent and Trademark Office (the “Trademark Office”) on the registry as stated below:

Mark	Registration Number or Serial Number if Registration is Pending	Class	Registration Date	Registry
REAL HOT YOGA (DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS)	4588134	IC 041	August 19, 2014	Principal

We have filed all required affidavits and renewals with respect to these registrations.

The trademark is owned by our affiliate, Real Hot Yoga, LLC. We have a perpetual license agreement to use and franchise the trademarks, which may only be terminated upon our dissolution. In such an event, you may lose your right to use the trademark.

There are no currently effective material determinations of the Trademark Office, the Trademark Trial and Appeal Board, or any other trademark administrator or any court, pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Marks.

We do not know of any prior rights that could materially affect the franchisee’s use of the principal trademark. There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner material to the franchise. We are not aware of any infringing uses of the Marks that could materially affect your use of them.

Your use of the Real Hot Yoga Marks is limited to use in connection with the operation of your Real Hot Yoga Franchised Business within the Territory as described in the Franchise Agreement and as set forth in the Real Hot Yoga Operating Manual. You must promptly notify us of any use of the Real Hot Yoga Marks or any colorable variation by any person or legal entity or any litigation instituted by any person or legal entity against you or us involving the Real Hot Yoga Marks. We will control any litigation or proceeding. We are not required to defend the Real Hot Yoga Marks. In the event we undertake the defense, prosecution, or settlement of any litigation relating to the Real Hot Yoga Marks, you agree to assist as necessary to carry out such defense, prosecution, or settlement. We retain the right to modify or discontinue the Mark(s). You shall, upon demand by us, modify or discontinue the use of Real Hot Yoga Mark(s), at your sole cost and expense, any Mark(s), as directed by us. We are not required to reimburse or compensate you for any modification or discontinuation of the Marks.

In the event that any party demonstrates to us a superior right to use any of the Real Hot Yoga Marks, you shall, upon demand by us, discontinue use of such Real Hot Yoga Mark(s) and adopt, at your sole cost and expense, any Mark(s), if any, selected by us to replace such discontinued Mark(s).

You shall not use any of the Real Hot Yoga Marks, or any derivative or colorable variation thereof: (i) as part of your corporate or other legal name; (ii) on or as part of any Web Site, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the internet, World Wide Web, internet service providers, electronic mail services, communication providers, search engines, or other similar services (without our prior written consent); (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefore or that may harm, tarnish, or impair Franchisor reputation, name, services or Marks. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement.

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

We do not own any patents material to the franchise. We do not own any copyright registration material to the franchise. We do have unregistered copyrights in the Real Hot Yoga Operating Manual, and all printed, audiovisual, and other materials developed and distributed for use by our franchisees or us (collectively called the "Proprietary Information"). Information not protected by copyright, but which is confidential to us, such as information about our methods, policies, and marketing programs, is also part of the Proprietary Information.

There are no administrative or judicial determinations relating to the copyrights, nor any agreements that limit the use of them. We are not obligated to protect these copyrights.

You will not acquire any interest in the Proprietary Information. All Proprietary Information must be returned to us immediately upon the termination of the Franchise Agreement for any reason. The Proprietary Information is disclosed to you solely on the condition that you (1) will not use it in any other business or capacity; (2) will maintain the absolute confidentiality of the information during and after the term of your Franchise Agreement; (3) will not make unauthorized copies of any portion of the Operating Manual or any other written communication from us; (4) will not disclose or duplicate any part of the Proprietary Information other than disclosure to an employee of the franchised business to the extent necessary to do his or her job; and (5) will adopt and implement all reasonable procedures we may require preventing unauthorized use or disclosure of the information, including restrictions on disclosure of the information to employees of the franchised business and the use of nondisclosure and noncompetition clauses in employment agreements. All shareholders, officers, directors, partners, and members of the franchise are presumed to have access to Proprietary Information and must sign a Nondisclosure and Noncompetition Agreement to maintain the confidentiality of the Proprietary Information and conform to the noncompetition covenants.

You must inform us in writing if anyone breaches the Nondisclosure and Noncompetition Agreement or if there is any other violation of the obligations regarding any of the Proprietary Information or if you learn about any improper use of any of it.

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

You must maintain a designated full-time manager of the franchised business who is approved by us who devotes his/her full time and energy to the operation of the Franchised Business and successfully complete the initial training program to our satisfaction. The designated on-site manager must sign a confidentiality, non-solicitation, and non-competition agreement in a form that is satisfactory to us. The manager need not have an ownership interest in the franchise. No individual franchisee or any shareholder, partner, member, or other owner of a business entity franchisee may compete with us or own an interest in any competitor of ours anywhere during the term of your Franchise Agreement or within 25 miles of any Real Hot Yoga franchise territory for two years after the expiration or termination of your Franchise Agreement.

You are not required or obligated to participate personally in the direct operations of the Franchised Business; however, we strongly recommend that you do so. You and each shareholder, partner, member, and other equity owner of the franchise, and each individual shareholder, partner, member, and other equity owner of any shareholder, partner, member, and other equity owner that is itself a business entity, must personally guarantee all of the franchisee's obligations and performance under the Franchise Agreement.

To prevent any interruption of the Franchised Business that may cause harm to the Franchised Business and to the Real Hot Yoga system and lessen their value, we may step in to operate the Franchised Business when we deem necessary. Reasons may include our determination that you: are incapable of operating the franchise; are absent or incapacitated because of illness or

death; have failed to pay when due any taxes or assessments against the franchise or property used in connection with the franchise; have failed to pay when due any liens or encumbrances of every kind placed upon or against your business property; or we decide that operational problems require us to operate the franchise for a time.

All Revenue derived from our operation of the Franchised Business will be for your account. We may pay from that Revenue all expenses, debts, and liabilities we incur during our operation of the Franchised Business. We will keep account all Revenue generated by the operation of the Franchised Business, less the expenses of the business, including reasonable compensation and expenses for us and our representatives.

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

You must offer and sell all products and services, and only those products and services, authorized by us and specified in the Real Hot Yoga Operating Manual or as designated in writing by us (the “Permitted Products and Services”). Without limit, we have the right to change, add and delete products or services to or from the Real Hot Yoga Permitted Products and Services at any time. We may also designate any products or services as optional.

You may only sell and accept orders from the Site, and only advertise, solicit, and offer to sell within the Territory, unless we give you written consent to serve another specified area where no other Real Hot Yoga franchise or company-owned unit is located. If you are granted consent to service another specified area, you shall be obligated to pay royalty fees and other fees to us for the services performed or products sold. You do not have the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory unless we give you written consent to serve another specified area where no other Real Hot Yoga franchise or company-owned unit is located.

You must participate in and fully comply with any client warranty or guaranty or client satisfaction program we may establish from time to time.

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

References are to sections in the Franchise Agreement unless otherwise noted.

## THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section II(A)	10 years from the date that we sign the Franchise Agreement.
b. Renewal or extension of the term	Section II(B)	Upon the expiration of the initial term or any renewal term of the Franchise Agreement, you may, at its option, renew the Franchise Agreement for an additional term of 10 years (the "Successor Franchise"), provided that at the end of each term you meet conditions listed including paying a Successor Fee.
c. Requirements for you to renew or extend	Section II(B)	Renewal means in the franchise system, and if, as a condition to renewal, the franchisee may be asked to sign an agreement with materially different terms and conditions from the original franchise agreement. In order to renew, we must be offering Real Hot Yoga Franchises; you must give us written notice between 6 months to 1 year, prior to the end of the term; you must not be in default under any provision of The Franchise Agreement or any other agreement between you and our affiliates, approved suppliers of the Real Hot Yoga System, or the lessor of your Real Hot Yoga Site, and have substantially complied with all of the terms and conditions of Franchise Agreement; you have the right to remain in possession of your Real Hot Yoga Site, or a suitable substitute location that is approved by us and meets our then-current specifications and standards, for the entire term of the Successor Franchise; you must refurbish your Real Hot Yoga Franchised Business to conform to the then-current Real Hot Yoga trade dress, color schemes, and presentation of the Marks and Real Hot Yoga Systems Standards; you must sign the then-current Real Hot Yoga franchise agreement terms of which may differ from the terms of the

Provision	Section in Franchise Agreement	Summary
		Franchise Agreement; you must pay us a Successor Franchise Fee of \$25,000; and you must comply with then-current Real Hot Yoga qualifications and training requirements. When renewing, you may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Section XVII(A)	We will be considered in default of the Franchise Agreement if we breach any material obligations of the Franchise Agreement and fail to cure the default within 60 days of written notice from you.
e. Termination by us without cause	None	Not applicable
f. Termination by us with cause	Section XVII(B)	We can terminate only if you default.
g. "Cause" defined -- defaults which can be cured	Section XVII(B)	We may elect to terminate your Real Hot Yoga Franchise Agreement if you fail to pay, when due, any sum required to be paid under the Franchise Agreement or any other agreement between us after written notice and ten (10) days opportunity to cure; or if you fail to perform, or breach, any other provision of your Real Hot Yoga Franchise Agreement or of any other agreement or instrument between us; or you fail to operate the Franchised Business in full compliance with the Franchise Agreement, the Real Hot Yoga Operating Manual, or Real Hot Yoga System Standards; or fail to cure any such breach within thirty (30) days from notice of breach.
h. "Cause" defined defaults which cannot be cured	Section XVII(B)	We may elect to terminate your Real Hot Yoga Franchise Agreement, without opportunity to cure if you fail to locate and secure a Site and get approval with the terms of the Site Selection

Provision	Section in Franchise Agreement	Summary
		<p>Addendum or fail to open the Franchised Business within the time limits prescribed by the Franchise Agreement; you fail to satisfy all of the training obligations on three (3) or more separate occasions within any period of twelve (12) consecutive months; you fail to submit reports or other information or supporting records when due or otherwise fail to comply with the Franchise Agreement, whether or not such failures to comply are corrected after notice; you fail to operate your Real Hot Yoga Franchised Business for more than two (2) consecutive days, or otherwise abandon the Franchised Business; you provide for offers or sales of any Permitted Products and Services at or from a location that is within the franchise territory of another Real Hot Yoga franchisee (except as expressly stated in this Agreement, the Operating Manual, or any other written agreement between Franchisor and Franchisee), or otherwise infringes upon rights granted by us under franchise agreements with other franchisees of Franchisor; you fail to achieve or exceed System Standards in two (2) inspections in any twenty four (24) month period; you are declared bankrupt or insolvent or you are the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code; a receiver is appointed for you or for any part of your property, or you make any assignment for the benefit your creditors, if not dismissed within fifteen (15) days; you lose the right to possession of the premises upon which the Franchised Business is located, or otherwise forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located; Franchisee fails, for a period of ten (10) days after receipt of notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business; you make any transfer or attempted transfer that fails to comply with this Agreement; the Franchised Business is seized, taken over or foreclosed by a government official in the exercise of his duties, or</p>

Provision	Section in Franchise Agreement	Summary
		<p>seized, taken over or foreclosed by a creditor, lien holder or lessor; a final judgment against you remains unsatisfied for thirty (30) days (unless superseded as or other appeal bond has been filed), or a levy of execution has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business that is not discharged within five (5) days of such levy; any conduct or activity by you or any of your Principals, directors, or officers that Franchisor believes is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, us, the Real Hot Yoga System, the Marks, or the goodwill associated; you knowingly maintain false books or records, or knowingly submit any false reports to us, or knowingly understate your Gross Revenues reported to Franchisor; any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business, and you have not immediately commenced actions to cure the problem or have not promptly cured or corrected the problem or activity that gave rise to the threat or danger; you make or attempt to make any transfer or assignment of the Franchised Business, Franchise business assets, rights under the Agreement, or ownership the Franchised Business contrary to the Franchise Agreement; or you or any of your Principals violate any of the Covenants of the Franchisee, commit an infringement of the Proprietary Marks, or communicate, divulge, or use Confidential Information contrary to the Franchise Agreement.</p>
<p>i. Your obligations on termination or nonrenewal</p>	<p>Article XX</p>	<p>Upon the termination, you must: cease to operate your Franchised Business and not hold itself out as a present or former Real Hot Yoga franchisee of Franchisor; cease to use the Real Hot Yoga System or Real Hot Yoga Marks; make modifications to the Franchised Business Site to prevent the operation of any business on the Site that might be deemed substantially similar to the Real Hot Yoga</p>

Provision	Section in Franchise Agreement	Summary
		Franchised Business; at our option, assign to us (i) telephone numbers of the Franchised Business and all related Yellow Pages, White Pages and other business listings, and (ii) Web Sites, web pages, listings, banners, URLs, advertisements, or any other services and links, and sell to us the assets of the Franchised Business; turn over the Real Hot Yoga Operating Manual, records, client and other files, instructions, correspondence, and software provided and/or licensed by us; cancel any assumed name or equivalent registration that contains the Real Hot Yoga Marks; pay all sums due and owed to us; obtain and maintain professional liability or errors and omissions insurance and general liability insurance for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located; appoint us as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee obligations under the terms of termination.
j. Assignment of contract by us	Section XVI(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity.
k. "Transfer" by you definition	Section XVI(B)	A transfer includes any sales assignment, transfer, convey, give away, pledge, mortgage, or otherwise encumbrance of any interest therein or in Franchise, or Franchisee assets.
l. Our approval of transfer by franchisee	Section XVI(B)	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for Real Hot Yoga Franchise, LLC	Section XVI(B)	All outstanding obligations related to the Franchised Business must be paid, and the transferor's right to receive compensation must be subordinated and secondary to our rights. The

Provision	Section in Franchise Agreement	Summary
approval of transfer		transferee must sign written assumption; the transferee must meet Real Hot Yoga standards; transferee must sign a then-current Real Hot Yoga franchise agreement, and such other ancillary agreements; transferee must successfully complete Real Hot Yoga initial training, and you or the transferee must pay a transfer fee.
n. Our right of first refusal to acquire your business	Section XVI(D)	We have the right, exercisable by written notice to you, to purchase such rights or interests for the price and on the terms and conditions contained in any offer for your Franchised Business, except we may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by us must be completed within ninety (90) days after your receipt of our written notice. If we do not exercise our right of first refusal, you may complete the sale of interest to the bona fide purchaser, subject to our approval; however, if the sale to the purchaser is not completed within one hundred twenty (120) days after the delivery of the offer to us, we will again have the right of first refusal.
o. Our option to purchase your business	Section XX (8)	Upon termination or expiration of your Franchise Agreement, at our option (to be exercised within thirty (30) days after termination), you must sell to us any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of your Franchised Business, at the depreciated book value.
p. Your death or disability	Section XVI(E)	Must transfer to an approved 3rd party within 6 months subject to all conditions except the transfer fee.
q. Noncompetition covenants	Section XIX(A)(3)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights;

Provision	Section in Franchise Agreement	Summary
during the term of the franchise		cannot employ our or another franchisee's employees.
r. Noncompetition covenants after the franchise is terminated or expires	Section XIX(B)	No involvement in a competing business for 2 years in, or within 25 miles of any Real Hot Yoga; no solicitation of clients of your franchise for 2 years.
s. Modification of the agreement	Section XXII(A)	The Agreement may not be modified or amended except by a written instrument signed by each of the parties hereto, expressing such amendment or modification.
t. Integration/merger clauses	Section XXII(A)	The Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. Any representations or promises outside of the Franchise Disclosure Document and other agreements may not be enforceable. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representation made in this Franchise Disclosure Document. Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article XX	Any claim or controversy arising out of or related to this Agreement must be settled by mandatory binding arbitration in Knox County, Tennessee.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section XXII(D)	Any and all suits, actions, or other proceedings with respect to, arising out of, or in connection with this Agreement shall be litigated in courts having a situs within Knox County, Tennessee (subject to applicable state law).
w. Choice of law	Section XXII(D)	The state of Tennessee (subject to applicable state law).

A provision in your Franchise Agreement that terminates the franchise on your bankruptcy may not be enforceable under federal bankruptcy law.

**Area Development Relationship**

Provision	Section in Area Development Agreement	Summary
a. Term of the franchise	Article VI	The term ends in accordance with the Development Schedule.
b. Renewal or extension of the term	Not applicable	
c. Requirements for you to renew or extend	Not applicable	
d. Termination by you	Not applicable	

Provision	Section in Area Development Agreement	Summary
e. Termination by us without cause	Not applicable	
f. Termination by us with cause	Section VII	We can terminate only if you default. We can terminate the Area Development Agreement if the Franchise Agreement is terminated. Termination of the Area Development Agreement is not cause for terminating the Franchise Agreement.
g. "Cause" defined defaults which can be cured	Not applicable	
h. "Cause" defined defaults which cannot be cured	Section VII(A)	We may terminate the agreement if you fail to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Development Schedule; you fail to have opened and maintained in continuous operation the minimum number of Real Hot Yoga Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule; if a default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or you breach or otherwise fail to comply fully with any other provision contained in this Area Development Agreement or any other agreement between the Franchisor and/or its Affiliates. However, a default under the Area Development Agreement is not cause for termination of any existing Franchise Agreements.
i. Your obligations on termination or nonrenewal	Not applicable	

Provision	Section in Area Development Agreement	Summary
j. Assignment of contract by us	Section VIII(A)	We have the right to transfer or assign all or any part of our rights and/or obligations to any person or legal entity.
k. "Transfer" by you – definition	Section VIII(B)	A transfer includes any voluntary or involuntary sale, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest voluntarily or involuntary therein or in Franchisee or Franchisee assets.
l. Our approval of transfer by franchisee	Section VIII(B)	We have the right to approve all transfers but may not unreasonably withhold consent.
m. Conditions for Real Hot Yoga Franchise, LLC approval of transfer	Section VIII(B)	All outstanding obligations related to the Franchised Business must be paid; the transferor's right to receive compensation must be subordinated and secondary to our rights. The transferee must sign a written assumption; the transferee must meet Real Hot Yoga standards, and you or the transferee must pay a transfer fee.
n. Our right of first refusal to acquire your business	Section VIII(C)	If we elect to purchase an interest under a bona fide offer for purchase, the closing will occur within 90 days after the date of our notice to the seller electing to purchase the interest. If we do not elect to purchase such interest within the 30-day period, you may sell or transfer their offered interests to a third party, provided that such sale or transfer: (i) is made within 90 days after we give notice of its election, (ii) is made at a price and on the same material terms as those offered to us, and (iii) is made in full compliance with all applicable requirements of this Agreement.

Provision	Section in Area Development Agreement	Summary
o. Our option to purchase your business	Not applicable	
p. Your death or disability	Not applicable	
q. Noncompetition covenants during the term of the franchise	Section IX(c)	No involvement in a competing business; cannot assist or deal with a competing business; cannot infringe on another franchisee's territorial rights; and cannot employ ours or another franchisee's employees.
r. Noncompetition covenants after the franchise is terminated or expires	Section IX(B)	No involvement in a competing business for 2 years in, or within 25 miles of any Real Hot Yoga; no solicitation of clients of your franchise for 2 years.
s. Modification of the agreement	Section X(B)	The Agreement may not be modified or amended except by a written instrument signed by each of the parties hereto, expressing such amendment or modification.
t. Integration/merger clauses	Section X(B)	The Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. Notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representation made in this Franchise Disclosure Document.

Provision	Section in Area Development Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section X(B)	Any claim or controversy arising out of or related to this Agreement must be settled by mandatory binding arbitration in Knox County, Tennessee.
v. Choice of forum	Section X(E)	Any and all suits, actions, or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Knox County, Tennessee (subject to applicable state law).
w. Choice of law	Section X(E)	Tennessee (subject to applicable state law)

**ITEM 18. PUBLIC FIGURES**

We do not use any public figures 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.

Below are the Gross Profits for the calendar years 2021, 2020, 2019, and 2018 of our affiliate-owned Real Hot Yoga, LLC that is located in Knoxville, Tennessee, and has been open since June of 2012. This affiliate-owned outlet is 2,100 square feet, at the low range of a standard real property space, which is 2,000 to 2,400 square feet.

On February 1, 2018, this outlet added an offsite overflow space that is approximately 1,000 square feet. The offsite overflow space closed as part of the COVID-19 state government-mandated restrictions on March 16, 2020, open for one month in July of 2020, and then closed with no intention of reopening. The operation of an offsite overflow space is not typical for a franchised business.

Due to COVID-19 state government-mandated restrictions, our location was closed between March 16, 2020, and May 4, 2020. Upon reopening on May 4, 2020, operations were at 25% capacity to allow for a minimum of 6ft distance. Capacity has increased on a sliding scale as restrictions decreased over the course of 2021. Operations are currently at 70% capacity inside the yoga studio room as of May 25, 2021. Livestream virtual classes were introduced March 18, 2020 and continues to be offered along with on-demand classes until the present day.

There were no operational franchisees during the time period that these Gross Profits were derived. This financial performance representation does not include partially-owned affiliate outlets.

Real Hot Yoga, LLC

Revenue/Cost Chart

	2021		2020		2019		2018	
			Amount (in U.S. Dollars)	% of Total Revenue	Amount (in U.S. Dollars)	% of Total Revenue	Amount (in U.S. Dollars)	% of Total Revenue
<b>Gross Revenue</b>	<b>595,915.00</b>	<b>100.00%</b>	<b>488,625.75</b>	<b>100%</b>	<b>705,431.53</b>	<b>100.00%</b>	<b>688,329.15</b>	<b>100.00%</b>
* <u>Estimated</u> Royalty (on in-studio Revenue Only)	41,714.05	7.00%	34,203.80	7.00%	49,380.21	7.00%	48,183.04	7.00%
* <u>Estimated</u> Marketing Fund Expenses (on in-studio Revenue Only)	11,918.30	2.00%	9,772.52	2.00%	14,108.63	2.00%	13,766.58	2.00%
Cost of Sales - 3rd Party Vendors	33,384.41	5.60%	17,641.68	3.61%	32,438.00	4.60%	39,616.73	5.76%
Labor Expense	154,746.30	25.97%	152,474.48	31.20%	181,555.16	25.74%	181,441.29	26.36%
Bank Service Fees	60.00	0.01%	60.00	0.01%	110.00	0.02%	25.00	0.00%
Merchant Account Services	18,446.65	3.10%	14,550.20	2.98%	18,954.69	2.69%	18,675.33	2.71%
Office Supplies	559.40	0.09%	3,366.60	0.69%	2,437.08	0.35%	867.84	0.13%
General Supplies	11,229.00	1.88%	14,418.79	2.95%	12,046.93	1.71%	3,620.27	0.53%
Cleaning	2,600.00	0.44%	2,600.00	0.53%	2,600.00	0.37%	2,600.00	0.38%

Real Hot Yoga, LLC Revenue/Cost Chart								
	2021		2020		2019		2018	
			Amount (in U.S. Dollars)	% of Total Revenue	Amount (in U.S. Dollars)	% of Total Revenue	Amount (in U.S. Dollars)	% of Total Revenue
<u>Estimated</u> Technology Fees	10,481.09	1.76%	10,481.09	2.15%	10,481.09	1.49%	10,481.09	1.52%
Professional Fees	6,956.25	1.17%	6,481.25	1.33%	6,743.75	0.96%	5,865.00	0.85%
Rent Expense	40,801.36	6.85%	40,285.45	8.24%	55,782.53	7.91%	53,552.10	7.78%
Insurance	1,682.64	0.28%	3,748.51	0.77%	3,145.62	0.45%	3,137.63	0.46%
Utilities	12,849.86	2.16%	9,917.33	2.03%	9,845.51	1.40%	9,917.33	1.44%
Advertising/Promotion	34,994.26	5.87%	34,646.04	7.09%	24,103.53	3.42%	11,835.64	1.72%
<b>Total of Certain Operating Expenses</b>	<b>382,423.57</b>	<b>64.17%</b>	<b>354,647.74</b>	<b>72.58%</b>	<b>423,732.73</b>	<b>60.07%</b>	<b>403,584.87</b>	<b>58.63%</b>
<b>Total Revenue Less Certain Operating Expenses</b>	<b>213,491.43</b>	<b>35.83%</b>	<b>133,978.01</b>	<b>27.42%</b>	<b>281,698.80</b>	<b>39.93%</b>	<b>284,744.28</b>	<b>41.37%</b>

\*You will incur franchisee expenses that our company-owned outlet did not incur, including royalty fees, national advertising fund contributions and technology fees. The franchisee expenses have been calculated in row items marked \*.

The term "Gross Profits" means gross sales minus the cost of providing services.

Our management prepared this financial performance representation based on the outlet's historical bookkeeping books and records. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance you'll sell as much.**

Other than the preceding financial performance representation, Real Hot Yoga Franchise, LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Cindy Coats at 8023 Kingston Pk., Ste 5, Knoxville, TN 37919 or by telephone at 865-919-9642, the Federal Trade Commission, and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
SYSTEMWIDE OUTLET SUMMARY  
For Years 2019 to 2021

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2019	0	0	0
	2020	0	0	0
	2021	0	0	0
Company-Owned	2019	1	1	0
	2020	1	1	0
	2021	1	1	0
<b>TOTAL OUTLETS</b>	<b>2019</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2020</b>	<b>1</b>	<b>1</b>	<b>0</b>
	<b>2021</b>	<b>1</b>	<b>1</b>	<b>0</b>

Table No. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS  
(Other than Franchisor)  
For Years 2019 to 2021

State	Year	Number of Transfers
All States	2019	0
	2020	0
	2021	0
<b>TOTAL</b>	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>

Table No. 3  
STATUS OF FRANCHISED OUTLETS  
For Years 2019 to 2021\*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
All States	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

\* Our affiliate, Real Hot Yoga, LLC, with an address of 8023 Kingston Pk., Ste 5, Knoxville, TN 37919, has offered Real Hot Yoga licenses since 2018. As of December 31, 2018, there was one Real Hot Yoga licensed locations. Real Hot Yoga JC, LLC, RHY Englewood, LLC, RHY Hoboken, LLC, and RHY Ridgewood, LLC, partially-owned affiliates have operated businesses like the Real Hot Yoga franchises being offered in this disclosure document since November of 2014, May of 2015, August of 2015, and September of 2017, respectively

Where a franchise territory covers more than one state, the franchise, for purposes of this table, is assigned to the state where it has the bulk of its operation, which is not necessarily the same state shown in the business address in the list of franchisees, EXHIBIT G.

Table No. 4  
STATUS OF COMPANY-OWNED OUTLETS  
For Years 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Tennessee	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
<b>TOTAL</b>	<b>2019</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2020</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2021</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>

Table No. 5  
PROJECTED OPENINGS  
As of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
New Jersey	0	2	0
Tennessee	0	1	0
Wisconsin	0	1	0
<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>1</b>

The number of new franchised locations projected to be opened in the next fiscal year, as presented in the table above, is an estimate based on the best information we have as of the date of this disclosure document. There is no assurance that the actual number of openings, or the states in which we projected the openings, will be the same as our estimates.

A list of the names, addresses, and telephone numbers of all Real Hot Yoga franchisees is attached to this disclosure document as EXHIBIT H. A list of the names, last known home addresses, and telephone numbers of every Real Hot Yoga franchise who has had their franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this disclosure document, is attached to this disclosure document as EXHIBIT H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Real Hot Yoga. You may wish to speak with current and former franchisees but be aware that not all of those franchisees will be able to communicate with you.

Our Franchise Advisory Council has not been established as of the date of this document.

As of the date of this disclosure document, there are no other trademark-specific franchisee organizations associated with the Real Hot Yoga franchise system that we have created, sponsored, or endorsed, and there are no independent trademark-specific franchisee organizations that have asked to be included in our disclosure document.

## **ITEM 21. FINANCIAL STATEMENTS**

Our unaudited financials as of September 30, 2022, and our audited Financials as of December 31, 2019, December 31, 2020, and December 31, 2021, are attached to this disclosure document as EXHIBIT I.

Our fiscal year ends on December 31.

## **ITEM 22. CONTRACTS**

The following exhibits to this disclosure document are the contracts used by us in offering franchises:

- EXHIBIT A FRANCHISE AGREEMENT
- EXHIBIT B AREA DEVELOPMENT AGREEMENT
- EXHIBIT C PERSONAL GUARANTY
- EXHIBIT D RESTRICTIVE COVENANT AGREEMENT
- EXHIBIT E POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

## **ITEM 23. RECEIPT**

The Receipt page is attached to the last page of this disclosure document. You must sign the receipt to acknowledge your receipt of this disclosure document.



# real hot yoga

EXHIBIT A. FRANCHISE AGREEMENT

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

**Franchise Agreement**

**BETWEEN**

**REAL HOT YOGA FRANCHISE, LLC  
FRANCHISOR**

**AND**

-----  
**FRANCHISEE**

-----  
**Location (Common Territory Name)**

-----  
**DATED**

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## Exhibits

- EXHIBIT 1. IDENTIFICATION OF FRANCHISEE
- EXHIBIT 2. SITE AND TERRITORY
- EXHIBIT 3. AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS
- EXHIBIT 4. SITE SELECTION ADDENDUM
- EXHIBIT 5. RIDER TO FRANCHISE PREMISES LEASE AGREEMENT

## REAL HOT YOGA FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the Agreement), made by and between Real Hot Yoga Franchise, LLC, a Tennessee Limited Liability Company (the Franchisor), and \_\_\_\_\_, a(n) \_\_\_\_\_ (the Franchisee) on the date signed herein by the franchisor herein \_\_\_\_\_ (the Effective Date).

### WITNESSETH:

WHEREAS Franchisor has dedicated time, skill, effort, and money to create and develop and continues to develop a system (the System) for the establishment and operation of a distinctive type of business (referred to as a Real Hot Yoga or the Franchised Business) that offers the ultimate hot yoga experience by providing students with a state-of-the-art facility in a warm, welcoming, and supportive environment; and

WHEREAS, the System consists of distinctive methods and procedures for marketing and advertising; specially designed business forms and procedures for the efficient operation of the Franchised Business; an operations manual (the Operating Manual); and specially designated equipment, techniques, and procedures for the promotion and provision of Franchisee's services; and

WHEREAS, Franchisor has invested substantial amounts of money in developing, and continues to develop, use and control the use of the marks Real Hot Yoga design, stylized, any derivatives thereof, and certain other trade names, business names, service marks, trademarks, logos, designs and trade symbols (collectively referred to as the Marks) to identify to the public the source of services marketed thereunder and through the Real Hot Yoga System and to represent the Real Hot Yoga uniform and high standards of quality; and

WHEREAS, Franchisor has applied to register the mark Real Hot Yoga with the United States Patent and Trademark Office, and claims the exclusive right to use all of the Marks and any derivatives thereof in connection with the operation of the Real Hot Yoga System, as are now or may from time to time be designated in writing by Franchisor for use in connection with the operation of the System, and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality and service, the necessity of opening and operating the Franchised Business in conformity with Franchisor's standards and specifications as presented in Franchisor's Operating Manual and updates, and preserving the confidentiality of the System; and

WHEREAS, Franchisee has applied for a license to operate a Real Hot Yoga Franchise. In reliance upon all of the representations made by Franchisee in the application and in this Agreement, Franchisor has approved Franchisee's application;

NOW, THEREFORE, in consideration of the above Recital, which is incorporated herein as if fully rewritten, and the mutual promises contained herein, the parties agree as follows:

## I. APPOINTMENT

### A. Grant of Franchise

Franchisor grants to Franchisee the right to operate a Real Hot Yoga Franchised Business under the System and the Marks and using the system standards set (referred herein as “**System Standards**” which include the terms of this Agreement, the Operating Manual (as defined here), other directives provided by Franchisor) at the location (the Site) and in the geographic area specified in the Territory Addendum attached as Exhibit 2, which thereby constitutes the collectively Franchised Business Territory (the “**Territory**”) to offer and sell Permitted Products and Services (as defined herein) within the Territory in accordance with this Agreement.

If a Site is not identified upon the signing of this Agreement, Franchisee shall execute a Site Selection Addendum (Exhibit 4). Franchisee acknowledges and agrees that Franchisor’s approval of the Site may, in part, be conditioned on Franchisee’s and the Site landlord’s execution of the Lease Rider, which included herein as Exhibit 5 or in another form acceptable to Franchisor. In any event, the Site of the Franchised Business must be secured by lease or other lawful rights of possession no later than 90 days. Time is of the essence. For approval, Franchisee must submit to Franchisor all required documents for approval of the Site to Franchisor no later than 30 days prior to which approval may be granted or denied by Franchisor in its sole discretion. It is acknowledged and agreed that Franchisee’s failure to secure a Site or Franchisor’s failure to approve a Site within the aforementioned time is a material default of this Agreement, which may, among other things, be grounds for the termination of this Agreement.

Subject to the Franchise Agreement Terms, you are granted a territory, which is identified in Exhibit 2. Franchisee may only sell and accept orders from the Site; and only advertise, solicit, and offer to sell within the Territory. Franchisee is hereby not granted the right to use other channels of distribution such as the internet, catalog sales, telemarketing, or other direct marketing, to make sales outside of your Territory unless we give you written consent to serve another specified area where no other Real Hot Yoga franchise or company-owned unit is located. Franchisee acknowledges and agrees to obtain the prior written consent of franchisor, before advertising, offering or selling beyond the said beyond the aforementioned granted herein. If Franchisee is granted consent to service another specified area, Franchisee covenants and agrees to be obligated to pay royalty fees and other fees to Franchisor for the services performed or products sold.

### B. Franchisor Restrictions

Provided that Franchisee is not in breach of this Agreement, and except as otherwise set forth herein, Franchisor shall not establish or franchise another to establish, a Real Hot Yoga within the Territory. If for any reason the boundaries of the Territory are moved, altered, or eliminated, Franchisor shall re-define the boundaries of the Territory to correspond as nearly as possible, in Franchisor’s discretion, to Franchisee’s original Territory, and Franchisor’s decision shall be final and binding upon both Franchisor and Franchisee. Franchisor is not obligated to ensure that no other franchise will conduct operations in your Territory. Although

such activities are discouraged, we reserve the right to determine how to respond to any such situation. Franchisor is not required to pay Franchisee any compensation for Franchisor or other franchisees soliciting or accepting orders in Franchisee's Territory.

### **C. Reserved Rights**

Franchisor specifically reserves all rights not expressly granted to Franchisee in this Agreement. Without limiting the generality of the preceding sentence, Franchisor has the right to:

1. Own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks outside the Territory.
2. Acquire a system of Competitive Businesses (as defined herein) with units located within the Territory or outside the Territory, subject to the provisions of this Agreement.
3. Sell or franchise others to sell the services and products authorized for Real Hot Yoga Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, venues, site or location models other than the model concept of your Franchised Business (real property space, joint marketing with partner companies, direct mail, catalog sales, internet sites, and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate.
4. Offer and sell the services and products authorized for Franchised Business using the Marks or other trademarks, service marks and commercial symbols to Special Accounts as defined and as per the conditions set forth in this Agreement.
5. Own, acquire, establish and operate, and license others to establish and operate businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks, in Special Venues as defined in this Agreement.

### **D. Special Venues**

Franchisor, its affiliates or a franchisee or licensee may own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venue where there is a captive audience and where the primary purpose is other than patronizing a Real Hot Yoga business (referred herein as a "**Special Venue**"), in the way of examples, but not an exhaustive list: malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within the Development Area or outside of the Territory.

## E. Special Accounts

The Franchisor has the exclusive right to contract with clients whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single Real Hot Yoga territory or the trading area of a single Franchise, Franchisor-owned or Affiliate-owned business (referred to herein "**Special Accounts**"). If Franchisor establishes a contract for facilities of a Special Account located in the Territory, Franchisor shall offer Franchisee the first option of providing the services to the Special Account at those facilities in the Territory at the prices and subject to the contract requirements negotiated by Franchisor with the Special Account. If Franchisee accepts the project, Franchisor will collect all amounts due from the Special Account and remit to Franchisee the amount due for products and services rendered Special Account, less the amount of Royalties and other fees due under this Agreement. All amounts collected from Special Accounts on Franchisee's behalf or by Franchisee from Special Accounts will be included in Franchisee's Gross Revenues for purposes of calculating Royalties other fees due under this Agreement.

If Franchisee declines to accept the project, Franchisor will have the unfettered right to fulfill the contract requirements to the Special Account in the Territory in any manner it deems suitable, including through another Real Hot Yoga Franchisee, a Franchisor or Affiliate-owned business, or a third-party contractor. Additionally, if at any time a Special Account for any reasonable requests that services in the Territory be provided by someone other than Franchisee, Franchisor may revoke Franchisee's option or right to provide or continue to provide the services and may fulfill the contract requirements of the Special Account in the Territory in any manner Franchisor deems suitable.

## F. Acquisition of Competing System

If Franchisee is in compliance with this Agreement and Franchisor acquires a system of Competitive Businesses (an "**Acquired System**") during the term of this Agreement, the following terms apply:

1. Franchisor shall offer Franchisee the option to purchase and operate, as a Real Hot Yoga Franchise, any unit of the Acquired System (an "**Acquired Unit**") that is both purchased by Franchisor for operation by Franchisor or an Affiliate (e.g., the unit will not be operated by a licensee of the Acquired Systems) and is located within the Territory. Franchisor shall provide Franchisee with written notice of Franchisor's purchase of the Acquired System, the terms and conditions applicable to Franchisee's option to purchase Acquired Units, and such other information that Franchisor deems necessary to be included in the notice. The terms and conditions offered to Franchisee will include, without limitation, the following: (i) the purchase price of the unit; and (ii) the requirement that Franchisee enter into Franchisor's then-current form of the franchise agreement for the Acquired Unit and Franchisee shall be required to pay an Initial Franchise Fee for an Acquired Unit. If Franchisee does not elect to purchase or fails to complete the purchase of, an Acquired Unit within two (2) months after its receipt of the notice, Franchisor has the right to operate itself, or through an Affiliate or third-party licensee, the Acquired Unit under any trade name or trademark other than the Marks.

2. Franchisee has no right to purchase, and Franchisor is not obligated to offer Franchisee any option to purchase, any Acquired Unit that is operated by a licensee under the Acquired

Systems. Franchisor may license such units to be operated under any trade name or trademarks other than the Marks and may also license additional units of the Acquired Systems to be developed and operated within the Territory.

## **II. TERM AND RENEWAL**

### **A. Initial Term**

Except as otherwise provided, the term of this Agreement shall be for a period of 10 years commencing on the date set forth on the cover hereof.

### **B. Renewal**

Upon the expiration of the initial term or any renewal term hereof, Franchisee may, at its option, renew this Agreement for an additional term of 10 years (the “**Successor Franchise**”), provided that at the end of each term:

- 1.** Franchisor is still offering Franchises at the time of each renewal period;
- 2.** Franchisee has given Franchisor written notice of its election to renew not less than six (6) months, but not more than one (1) year, prior to the end of the preceding term;
- 3.** Franchisee is not in default under any provision of this Agreement, any amendment or successor thereto, or any other agreement or instrument between Franchisee and Franchisor or its affiliates, approved suppliers of the System and had substantially complied with all of the terms and conditions of all such agreements during the then-current terms;
- 4.** Franchisee has access to and the right to remain in possession of the Site, or a suitable substitute location that is approved by Franchisor and meets Franchisor’s then-current specifications and standards, for the entire term of the Successor Franchise.
- 5.** Franchisee shall refurbish the Franchised Business to conform to the then-current trade dress, color schemes, and presentation of the Marks and Systems Standards;
- 6.** Franchisee executes Franchisor’s then-current form of franchise agreement and all other agreements and contracts that are normally and customarily signed by franchisees, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement, including, without limitation, different royalty and National Advertising Contributions; provided, however, the agreement offered Franchisee upon renewal shall not require Franchisee to pay the initial franchise fee again;
- 7.** Franchisee must pay Franchisor a Successor Franchise Fee of \$25,000 at the same time that Franchisee gives Franchisor the written request required by this Section. If Franchisor refuses to grant Franchisee a Successor Franchise, Franchisor shall, at the same time, Franchisor

notifies Franchisee of the refusal, refund the Successor Franchise Fee paid by Franchisee. The Successor Franchise Fee is not refundable under any other circumstances; and

8. Franchisee shall comply with Franchisor's then-current qualification and training requirements, including, without limitation, any training requirements specifically designated for renewing Franchisees.

### **C. Interim Term**

If Franchisee does not execute a Successor Agreement before the expiration of the Agreement and Franchisee continues to accept the benefits of this Agreement after the expiration, then at Franchisor's option, this agreement may be treated either as: (i) expired as of the expiration date, with Franchisee then operating without a franchise to do so and in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (the "Interim Term") until terminated by either party with at least one month written notice. In the latter case, all of Franchisee's obligations will remain in full force and effect during the Interim Term as if this agreement had not expired, except Royalty Fees, and all other fees shall be at the Franchisor's then-current rates and amounts plus an additional 2% royalty on gross revenues, and all obligations and restrictions imposed on Franchisee upon the expiration of this agreement will be deemed to take effect upon termination of the Interim Term. Except as described in this paragraph, Franchisee has no right to continue to operate the Franchised Business following the expiration of the Initial Term. If any applicable Franchise Law requires a longer notice period, the one-month period will be deemed modified to be the shortest notice period required by the Franchise Law.

## **III. INITIAL AND ON-GOING FEES**

### **A. Initial Franchise Fee**

Franchisee shall pay Franchisor an initial franchise fee of \$49,000 in cash or by check, money order, or bank draft. The initial franchise fee is fully earned, due and payable to Franchisor upon the execution of this Agreement, in consideration of, among other things, the administrative and other expenses incurred by Franchisor in furnishing items to Franchisee as described herein and for Franchisor's lost or deferred opportunity to franchise to others. Except as provided below, the initial franchise fee is not refundable.

### **B. Royalty Fee**

Following the commencement of the Franchised Business and in consideration of Franchisee's continued right to utilize the System and the Marks and Franchisor's ongoing assistance as described herein, Franchisee shall pay Franchisor 7% of Gross Revenues each month after opening (the "Royalty Fee"). Royalty Fees are due and payable by the 5th of each month based upon Franchisee's Gross Revenues for the preceding calendar month. Franchisee shall also pay all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, on the Royalty Fees payable to Franchisor, regardless of whether such taxes be assessed against or payable by Franchisor or Franchisee.

## **C. National Advertising Contributions**

Franchisee shall contribute to such national advertising fund as Franchisor may establish for advertising for the System, a National Advertising Contribution equal to 1% of Gross Revenues, of Franchisee's Gross Revenues (the National Advertising Contribution). National Advertising Contributions are due and payable by the 5th of each month based upon Franchisee's Gross Revenues for the preceding calendar month. Franchisee shall also pay all federal, state, and local sales or use taxes that may be levied or assessed, in whole or in part, on the National Advertising Contributions payable to Franchisor, regardless of whether such taxes be assessed against or payable by Franchisor or Franchisee.

## **D. Late Payments**

Franchisee shall pay Franchisor a late fee of \$100 plus interest at the rate of 18% for each Royalty Fee or National Advertising Contribution payment that is not received by Franchisor within five (5) days after the due date or the highest rate allowed by law, whichever is lower, from the date payment is due to the date payment is received by Franchisor, regardless of any subordinate agreement that may be in effect to postpone payment of fees.

## **E. Gross Revenues**

The term "**Gross Revenues**," as used in this Agreement, shall mean all sales and other income (recognized on an accrual basis), whether cash or credit or barter for exchange (regardless of collection in the case of credit), arising from the operation of the Franchised Business, less (i) all refunds and discounts made to clients in good faith and in accordance with Franchisor's policies, and (ii) any sales or excise taxes that are separately stated and that Franchisee may be required to and does collect from clients and pays to any federal, state, or local taxing authority.

## **F. Technology Fee**

Franchisee shall pay Franchisor a Technology Fee of \$650 per month on the 5th of each month for the use of the computer system software and applications. Franchisor may increase the Technology Fee upon a 30 day written notice to you. The Technology Fee shall not increase more than 10% annually or no more than 10% greater than the actual cost of the software.

## **G. Method of Payment**

Franchisee agrees to remit fees and any other amounts due to Franchisor hereunder via electronic funds transfer or other means as Franchisor may stipulate. Franchisee agrees to execute and deliver to Franchisor an authorization for electronic transfer of funds (in the form attached hereto as Exhibit 3 or such other form as Franchisor may accept) for direct debits from Franchisee's business bank operating account and to comply with procedures specified by Franchisor and perform such acts as may be necessary to accomplish payment by electronic fund transfer. Franchisee authorizes Franchisor to initiate debit entries and/or correction entries to a designated checking account for payment of royalties or any other fees and amounts payable to Franchisor, including, but not limited to, attorney fees and interest.

Franchisee shall make funds available to Franchisor for withdrawal by electronic transfer no later than the due date for payment, therefore. If Franchisee has not timely reported Franchisee's Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized to debit Franchisee's account in an amount equal to 125% of the Royalty Fees and other fees and amounts payable by Franchisee for the last reporting period for which a statement of operations was received from Franchisee. Nothing contained in this paragraph shall be construed to waive Franchisee's obligations to submit any reports, records, or other materials required by this Agreement or waive any remedy available to Franchisor for Franchisee's failure to make timely payments.

## **IV. OPENING OF FRANCHISED BUSINESS**

### **A.Site**

Franchisee shall solely operate the Franchised Business from a real property space that is approved by and meets Franchisor's then-current site requirements (Site) and is identified in Exhibit 2 to this Agreement.

Franchisee may relocate the Site of the Franchised Business so long the new Site meets Franchisor's then-current Site requirements and is approved by Franchisor and Franchisee reimburses Franchisor for any costs and expenses incurred by Franchisor in the Franchised Business relocation.

### **B.Schedule of Equipment**

Franchisor shall provide, at no charge to Franchisee, a schedule of all equipment necessary to operate the Franchised Business.

### **C. Franchisee Obligations**

Franchisee shall comply with all federal, state, and local laws, codes, and regulations, including the applicable provisions of the ADA regarding the construction, design, and operation of the Franchised Business. In the event Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee shall provide Franchisor with a copy of such notice within five days after receipt thereof.

### **D. Opening Date**

Franchisee shall complete all pre-opening requirements hereunder before opening the Franchised Business, and Franchisee shall open the Franchised Business, in accordance with the requirements contained herein, in the Operating Manual, and/or elsewhere in writing by Franchisor, not later than 270 days after the execution of this Agreement. Time is of the essence.

### **E. Notice and Franchisor's Final Inspection Approval**

In connection with the opening of the Franchised Business, Franchisee shall provide at least thirty (30) days prior notice to Franchisor of the date on which Franchisee proposes first to

open the Franchised Business for business. Franchisee agrees not to open Franchised Business without first obtaining Franchisor's final written inspection approval.

## **V. TRAINING AND ASSISTANCE**

### **A. Initial Training**

Prior to opening the Franchised Business, you and/or your Designated Manager shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor at a location designated by Franchisor. If any required attendee does not satisfactorily complete such training, Franchisor may require that a replacement person attends and successfully completes, to Franchisor's satisfaction, the initial training program.

Franchisee acknowledges that the grant of the franchise under this Agreement is conditioned upon the successful completion of Franchisor's initial training program by Franchisee or if Franchisee is other than an individual, the Designated Manager. If during the course of the initial training program or within fifteen (15) days thereafter, Franchisor concludes that Franchisee or the Designated Manager, as the case may be, has not exhibited the aptitude, abilities, or personal characteristics necessary or desirable to successfully operate a Real Hot Yoga Franchised Business in accordance with the standards and procedures of the Real Hot Yoga Methods and the System, Franchisor may, in its sole discretion and judgment, cancel this Agreement and all rights hereunder by giving notice to Franchisee. Upon the cancellation of this Agreement pursuant to this paragraph, Franchisee shall return to Franchisor the Operating Manual and all other materials, information, and other items that Franchisee received from Franchisor, including all copies thereof and notes thereon. Franchisee agrees to maintain the confidentiality of all information strictly received relating to the Real Hot Yoga Method and not to use, in connection with the offering or selling of yoga, or similar business, any trade secrets or confidential information obtained from Franchisor.

### **B. Training of Replacement Personnel**

If Franchisee's Designated Manager or Franchised Business Manager ceases active employment in the Franchised Business, Franchisee shall designate a new Designated Manager who meets Franchisor's then-current training requirement and is approved by Franchisor within a reasonable amount of time after the cessation of such former Designated Manager's employment, but no later than forty-five (45) days. Franchisor reserves the right to review any Franchisee-trained personnel and require that such persons attend and complete, to Franchisor's satisfaction, the initial training programs offered by Franchisor at a location designated by Franchisor.

### **C. Ongoing Training.**

Franchisor may also require that Franchisee (and/or it's Designated Manager), employees, and contractors attend such refresher courses, seminars, and other training programs as Franchisor may reasonably require from time to time.

## **D. Annual Meeting**

Franchisor may require Franchisee (or if Franchisee is other than an individual, the Designated Manager) to attend a regional or national meeting of Real Hot Yoga franchisees at a location within the United States designated by Franchisor. Franchisor reserves the right to charge Franchisee a fee for such meetings. This provision shall not be construed to require Franchisor to hold, provide, sponsor, host, or organize any such meetings.

## **E. Continuing Assistance**

Franchisor will provide Franchisee, at no charge to Franchisee, periodic and continuing advisory assistance with technical, operational, sales, personnel, accounting, or other issues affecting the day-to-day operation of the Franchised Business in such manner and frequency as Franchisor deems advisable.

## **F. Training Costs**

For all training courses, seminars, and programs, Franchisor shall provide instructors and training materials, provided that Franchisor reserves the right to charge a fee for a refresher, remedial, and additional training it provides. Franchisee shall bear the cost of all other expenses for its attendees during the training period, including, without limitation, the costs of transportation, lodging, meals, wages, and workers' compensation insurance.

# **VI. SYSTEM STANDARDS**

## **A. Standards**

Franchisee acknowledges and agrees that every detail of the System is important, not only to Franchisee but also to Franchisor and other Real Hot Yoga franchisees, in order to develop and maintain high and uniform operating standards, to increase the demand for the products and services offered by all franchisees, to establish and maintain a reputation for uniform, efficient, high-quality products and services, and to protect the goodwill of all Real Hot Yoga franchises. Franchisee further acknowledges and agrees that a fundamental requirement of the System, this Agreement, and other Real Hot Yoga franchises are adherence by all Franchisees to the uniform specifications, standards, operating procedures and rules prescribed by Franchisor for the development and operation of the Franchised Business (collectively referred to as System Standards).

Accordingly, Franchisee agrees to comply with each and every System Standard, as periodically modified and supplemented by Franchisor in its sole and absolute discretion, during the term of this Agreement. Franchisee further agrees that System Standards prescribed from time to time in the Operating Manual or otherwise communicated to Franchisee in writing shall constitute provisions of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all System Standards as periodically modified.

Franchisee agrees to comply with System Standards and not to deviate from Franchisor's specifications or procedures. In addition to all other remedies provided herein or otherwise, if franchisee fails to adhere to the System Standards or Franchisee is found in violation of the System Standards, Franchisee shall reimburse Franchisor for any and all cost and expenses associated with counsel, inspection, support, assistance, enforcement rendered to and against Franchisee regarding said System Standards violation and/or non-compliance.

## **B. Supplier Approval**

Franchisee shall purchase all supplies, equipment, marketing materials, and other products and materials required for the operation of the Franchised Business as the Franchisor designates from time to time solely from vendors and suppliers who demonstrate to Franchisor's continuing reasonable satisfaction the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; and who have been approved, in writing, by Franchisor and not thereafter disapproved. If Franchisee desires to purchase any items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval or shall request the supplier itself to do so. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, at Franchisor's option, either to Franchisor or to an independent certified laboratory designated by Franchisor, for testing, and the actual cost of the tests shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect the facilities and products of any such approved supplier, and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's criteria. Franchisor may charge a reasonable fee for inspection, review, and approval of suppliers. Franchisor may revoke supplier approval at any time for any reason upon notice to the franchisees.

## **C. Products and Services**

Franchisee shall offer and sell all products and services, and only those products and services authorized by Franchisor and specified in the Operating Manual or as designated in writing by Franchisor (the "**Permitted Products and Services**"). Franchisor may unilaterally add and delete products or services to or from the Permitted Products and Services at any time. Franchisor may also designate any products or services as optional.

## **D. Pricing**

Franchisor has the right to provide recommended and suggested pricing for the Franchised Business products and services.

## **E. Promotions**

Franchisee shall fully participate, honor, and comply with any and all System, local, regional, seasonal, promotional, and other programs, initiatives, and campaigns adopted by Franchisor that Franchisor requires Franchisee to participate in.

## **F. Fixtures and Furnishings**

Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, signs, communication and information system, and other equipment as may be specified by the System Standards from time to time; and shall not permit the installation of any fixtures, furnishings, signs, communication and information system, or other equipment not conforming to the System Standards.

## **G. Maintenance Standards**

Franchisee shall at all times maintain the Franchised Business in a high degree of cleanliness, repair, and condition, and in connection therewith and shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, fixtures, equipment, and décor as Franchisor may direct.

## **H. Refurbishing**

At the request of Franchisor, which may be made once every (2) years during the term of this Agreement (excluding any periods of renewal of the franchise rights, for which additional refurbishment may be required), Franchisee shall refurbish the Franchised Business at its own expense to conform to the trade dress, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for the new Real Hot Yoga Franchised Business under the System. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements. Franchisee shall complete the refurbishing within the time period specified by Franchisor.

## **I. Variance**

Franchisee acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege to vary System Standards for any Real Hot Yoga Franchisee based upon any condition that Franchisor deems to be of importance to the successful operation of such franchisee's business.

# **VII. FRANCHISED BUSINESS OPERATIONS**

## **A. Business Operation**

After opening, Franchisee shall maintain the Franchised Business in continuous operation during all normal business hours as provided for in the Operating Manual during the term of this Agreement. Franchisee shall use its best efforts to promote and develop the market for the Permitted Products and Services. The Franchised Business must at all times be under the direct supervision of Franchisee, the Designated Manager, or the Franchised Business Manager, who must devote his/her full time and energy to the operation of the Franchised Business as approved by Franchisor and has successfully completed Franchisor's initial training.

## **B. Inspection**

To ensure compliance with this Agreement and System Standards, Franchisor or its designated agents have the right, at any reasonable time and without prior notice, to (i) inspect the Franchised Business; (ii) observe Franchise Owner and its employees during the performance of work; (iii) confer with the Franchise Owner, and its employees; (iv) contact and interview clients and suppliers/distributors of Franchise Owner; (v) inspect, inventory, and check any and all inventory, equipment, signage, fixtures, furniture and operating methods of the Franchise Owner; (vi) test products and supplies; and (vii) conduct online or other surveys and secret shoppers, including tape-recorded and interviews. Franchisor may require that Franchisee furnishes its clients with an evaluation form specified by the Franchisor pre-addressed to the Franchisor. Franchisee agrees to fully cooperate with representatives of the Franchisor, making any inspection or observing or evaluating the work of Franchisee or its employees. If any inspection conducted by Franchisor or its designee reveals that the Franchised Business fails to meet System Standards, Franchisor may charge the then-current standard re-inspection fee. Franchisee's failure to achieve or exceed System Standards in two (2) inspections in any twenty (24) month period is a material breach of this agreement, for which Franchisor, in addition to its other legal and equitable remedies, may terminate this Agreement, refuse to renew the Franchise granted under this agreement, or reduce the geographic size of the Territory.

## **C. Payment of Liabilities**

Franchisee shall at all times pay its distributors, lessors, contractors, suppliers, trade creditors, employees, and other creditors promptly as the debts and obligations to such persons become due and hold Franchisor harmless therefrom. Franchisee's failure to do so shall constitute a breach of this Agreement. In the event Franchisee shall fail to pay any such obligations promptly as the debts to such persons or entities become due, Franchisor shall, in addition to its other remedies provided in this Agreement, have the right, at its election and without being obligated to do so, to pay such obligations and the amount or amounts paid therefore shall be paid by Franchisee to Franchisor with the next succeeding payment due Franchisor under this Agreement, together with interest at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

## **D. Payment of Taxes**

Franchisee shall at all times pay its taxes on real and personal property, leasehold improvements, and fixtures and equipment, and all sales, payroll, and other taxes promptly when due and hold Franchisor harmless therefrom. Franchisee's failure to do so shall constitute a breach of this Agreement. All taxes shall be paid directly to the taxing authorities prior to the delinquent date. If any taxes become delinquent, Franchisor may elect to pay the delinquent tax on behalf of Franchisee, together with penalties and interest, if any, and Franchisee agrees, upon demand of Franchisor, to reimburse Franchisor for any sums so paid by Franchisor, together with interest at the rate of eighteen percent (18%) per annum, or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee.

## **E. Compliance with Law**

Franchisee agrees to comply with all laws, regulations, and requirements of federal, state, municipal, and other governmental entities and agencies (including, but not limited to, Title VII of the Civil Rights Act, the ADA, the Age Discrimination in Employment Act, and any other federal, state or local employment laws relating to occupational hazards and health, consumer protection, employment discrimination, and sexual harassment), and to obtain and maintain any and all licenses and permits required by any governmental agencies or otherwise necessary to conduct the Franchised Business in any jurisdiction in which it operates. Franchisee agrees and acknowledges that Franchisee alone shall be responsible for compliance with the obligations under this paragraph and that Franchisor shall have no obligation with respect thereto.

## **F. Client Service**

Franchisee acknowledges that client satisfaction is essential to Franchisee's success as well as the reputation and success of the Marks, the System, and other Real Hot Yoga franchises. Accordingly, Franchisee agrees to (i) use its best efforts to ensure the satisfaction of each of Franchisee's clients; (ii) use good faith and fair dealing in all dealings with clients, potential clients, suppliers, and creditors; (iii) respond to client complaints in a courteous, prompt, and professional manner; and (iv) use its best efforts to promptly and fairly resolve client disputes in a mutually agreeable manner. If Franchisee fails to resolve a dispute with a client, for any reason whatsoever, Franchisor, in its sole discretion, may (but shall not be obligated to) investigate the matter and require Franchisee to take such actions as Franchisor deems necessary or appropriate to resolve the dispute fairly and promptly. Nothing contained in this Section or any other provision of this Agreement shall be construed to impose liability upon Franchisor to any third party for any action by or obligation of Franchisee.

Franchisee agrees to participate in and fully comply with any client warranty or guaranty, or client satisfaction program Franchisor may establish from time to time.

## **VIII. MANAGEMENT AND STAFFING**

### **A. Non-Individual Franchisee**

If Franchisee is other than an individual, it shall comply with the following requirements prior to its execution of this Agreement:

- 1.** Franchisee shall be newly organized, and its charter, articles of organization, bylaws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Business;
- 2.** Franchisee, prior to the execution of this Agreement, shall have provided Franchisor with written information as to each shareholder, member or partner of Franchisee ("Principals"),

and the interest of each, on Exhibit 1 hereto, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement;

3. All Principals of Franchisee shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of Franchisee's obligations to Franchisor;

4. Each ownership certificate of Franchisee, if any, shall have conspicuously endorsed upon its face the following legend:

"The transfer, sale, or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with Real Hot Yoga dated \_\_\_\_\_."

5. Copies of Franchisee's articles of incorporation or organization, bylaws, partnership agreement, operating agreement, and other governing documents, including the resolutions of the Principals or Board of Directors authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval; and

6. Franchisee's name shall not consist of or contain the Marks or any colorable variation thereof or any other mark in which Franchisor has or claims a proprietary interest.

## **B. Designated Manager**

If Franchisee is other than an individual, prior to beginning the initial training program, Franchisee shall designate, subject to Franchisor's approval, an individual (the "**Designated Manager**") who shall be responsible for general oversight and management of the operations of the Franchised Business on behalf of Franchisee. Criteria for Franchisor's approval of the Designated Manager may include completion of the Franchisor's initial training and other criteria as stipulated by Franchisor. Franchisee acknowledges and agrees that Franchisor shall have the right to rely upon the Designated Manager to have been given, by Franchisee, decision-making authority and responsibility regarding all aspects of the Franchised Business. In the event that the person designated as the Designated Manager dies, becomes incapacitated, leaves Franchisee's employ, transfers his/her interest in Franchisee, or otherwise ceases to supervise the operations of the Franchised Business, Franchisee shall promptly, but no event later than forty-five (45) days, designate a new Designated Manager, subject to Franchisor's approval.

## **C. Franchised Business Staff**

Franchisee shall maintain a competent, conscientious, trained staff (who shall have been adequately trained per Franchisor Standards) in numbers sufficient to service clients promptly and properly, including at least a trained manager (or other trained supervisory employee in accordance with the Operating Manual) on duty at all times at which the Franchised Business is open (including daily Franchised Business opening and closing procedures), and take such steps as are necessary to ensure that its employees preserve good client relations and comply with such dress code as Franchisor may prescribe.

## **D. Compliance with the USA Patriot Act**

Franchisee certifies that neither Franchisee nor any of its Affiliates, Principals, employees, or other persons associated with Franchisee is an Embargoed Person. Franchisee shall not hire or have any dealings with an Embargoed Person or permit an Embargoed Person to hold an Ownership Interest in or position as a director or officer of Franchisee. Franchisee certifies that it has no knowledge or information that, if generally known, would result in Franchisee or any of its Affiliates, Principals, employees, or other persons associated with Franchisee being an Embargoed Person. Franchisee shall comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws. In connection with that compliance, Franchisee certifies, represents and warrants that none of its property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and its Affiliates and Principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that its indemnification responsibilities so stated in this agreement include Franchisee's obligations under this paragraph. Any misrepresentation by Franchisee under this paragraph or any violation of the Anti-Terrorism Laws by Franchisee, its Affiliates, Principals or employees, will constitute grounds for immediate termination of this Agreement and any other agreement between any Franchisor-Related Person and Franchisee or any of its Affiliates, Principals or employees.

## **IX. COMMUNICATIONS AND INFORMATION SYSTEMS**

### **A. Computer System**

To ensure the efficient management and operation of the Franchised Business and the transmission of data to and from Franchisor, Franchisee, at its own expense, shall install, prior to opening the Franchised Business, and shall maintain and utilize during the term of this Agreement, such communication and information system as may be specified by the System Standards from time to time.

- 1.** As used in this Agreement, the term communication, and information system shall mean hardware (including without limitation one or more computers and/or other computer components); software designated for the management and operation of the Franchised Business, as well as reporting and sharing information with Franchisor; and communication systems (including, without limitation, digital and analog modems, satellite, cable, and other systems).
- 2.** Franchisee shall lease and/or purchase its communication and information system only from Franchisor Approved vendor or vendors or suppliers. Franchisee shall not install, or permit to be installed, any devices, software or other programs not approved by Franchisor for use with the communication and information system.
- 3.** Franchisor may, from time to time, develop or authorize others to develop proprietary software programs for use in the System, which Franchisee may be required to purchase and/or license, and use, in connection with the Franchised Business. Franchisee agrees that it shall execute any license, sublicense, or maintenance agreement and pay any applicable fees

required by Franchisor or any other approved licensor or approved vendor of such proprietary software programs.

4. If required by Franchisor, Franchisee shall obtain and maintain a contract with a vendor that Franchisor has approved in writing for software maintenance, support, and upgrade services for Franchisee's communication and information system and to provide Franchisee with such assistance as Franchisee and Franchisee's employees may require. Franchisee acknowledges that Franchisor may be one of or the only approved vendor for such services, and if Franchisee obtains these services from Franchisor, then Franchisee agrees that it shall pay Franchisor the maintenance fee and help desk fee specified by Franchisor for such services. Notwithstanding these rights of Franchisor, Franchisor shall not at any time be obligated to provide any such services or support for the hardware or software used in the communication and information system.

5. Franchisee shall upgrade and update its communication and information system in the manner, and when, specified by Franchisor in writing.

6. Franchisee shall have the sole and complete responsibility for the manner in which Franchisee's communication and information system interfaces with other systems, including those of Franchisor and other third parties, as well as any and all consequences that may arise if Franchisee's communication and information system is not properly operated, maintained, and upgraded.

7. Franchisee shall: (a) promptly enter, into its communication and information system, and maintain all information required to be entered and maintained by Franchisor; (b) provide to Franchisor such reports as Franchisor may request from the data so collected and maintained, and (c) permit Franchisor to access Franchisee's communication and information system at all times via modem or other means specified by Franchisor from time to time. Franchisee shall cooperate with Franchisor and shall execute all documents required by Franchisor to permit access to Franchisee's communication and information system and data contained therein. The reporting requirements set forth in this Section shall be in addition to and not in lieu of the reporting requirements set forth otherwise in this Agreement.

8. Any and all data collected or provided by Franchisee, downloaded from Franchisee's communication and information system, and otherwise collected from Franchisee's system by Franchisor and/or provided to Franchisor is and shall be owned exclusively by Franchisor, and Franchisor shall have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee, including, but not limited to, the disclosure or distribution of such information to other franchisees of Franchisor, or the disclosure of such information to prospective franchisees of Franchisor, by inclusion in Franchisor's franchise disclosure document or otherwise; however, Franchisee is hereby licensed (without any additional fee) to use such data solely for the purpose of operating the Franchised Business, and such license shall automatically and irrevocably expire when this Agreement terminates or expires, without additional notice.

## **B. Telephone**

Franchisee shall maintain telephone lines and features for use exclusively by the Franchised

Business as required by Franchisor in the Operating Manual or otherwise communicated to Franchisee from time-to-time.

1. Prior to opening the Franchised Business and thereafter at all times during the term of this Agreement, Franchisee shall obtain and maintain an e-mail account as specified by Franchisor that is capable of receiving and sending attached files of a size specified by Franchisor in the Operating Manual or otherwise communicated to Franchisee from time-to-time, along with an internet connection via a commercial internet service provider.

2. Franchisor shall have the right, but not the obligation, to establish a Web Site and/or other electronic system providing private and secure communications (e.g., an extranet) between Franchisor, Franchisee, other franchisees, and other persons and entities as determined by Franchisor, in its sole discretion. If required by Franchisor, Franchisee shall establish and maintain access to the extranet in the manner specified by Franchisor and shall, from time to time, execute such agreements and/or acknowledge and agree to comply with such policies concerning the use of the extranet as Franchisor may prepare.

## **X. RECORDS AND REPORTS**

### **A. Records**

During the term of this Agreement, Franchisee shall maintain and preserve, for at least seven (7) years from the date of their preparation, full, complete and accurate books and records of accounts, prepared in accordance with generally accepted accounting principles, and client files and records pertaining to the Franchised Business granted pursuant to this Agreement, all in the form and manner prescribed by Franchisor in the Operating Manual or otherwise in writing. In connection with its maintenance of such accounts and records, Franchisee, at its expense, shall:

1. Submit to Franchisor, on or before the 5th of each month during the term of this Agreement, a Gross Revenue Report and statement of operations in the form prescribed by Franchisor and certified by Franchisee or the Designated Manager, accurately reflecting Franchisee's Gross Revenues and the results of operations of the Franchised Business, respectively, during the preceding period, along with such other data or information as Franchisor may require.

2. Submit to Franchisor, monthly, quarterly, and/or annual financial reports, including balance sheets, cash flow statements, profit and loss statements, and other reports as required by Franchisor. All reports shall be submitted timely in accordance with Franchisor's schedule, and all reports shall be certified by Franchisee or the Designated Manager to accurately reflect, respectively, the financial condition of the Franchised Business.

3. Submit to Franchisor signed copies of the federal income tax returns for the previous tax year, as filed with the Internal Revenue Service, of Franchisee and of any Principal who owns an ownership interest in Franchisee greater than or equal to fifty percent, on or before April 30 of each year, or, if the taxpayer has received an extension of time to file and submits to Franchisor a signed, file-stamped copy of IRS Form 4868 or 2688, as applicable, then within

fifteen (15) days after the final due date for such return, but in no event later than October 30th.

4. Submit to Franchisor, for review or auditing, such other forms, reports, bank statements, client files, records, information, and data as Franchisor may designate, in the form and at such times and places as Franchisor may request.

5. Purchase and install such equipment as Franchisor may require automating the reporting of financial information and payment of recurring fees pursuant to this Agreement, including, but not limited to, internet or intranet reporting and pre-authorization of electronic fund transfer or bank debit.

## **B. Franchisor Audits and Inspection**

At all times during the term of this Agreement and for a period of three (3) years after the termination or expiration of this Agreement, Franchisee covenants and agrees to permit Franchisor or its designated agents at all reasonable times to examine, at Franchisor's expense and at such location as Franchisor may reasonably select, Franchisee's books and records of accounts, bank statements, canceled checks, client files, federal, state, and local income tax, sales and use tax, and payroll tax returns, the federal income tax returns of any Principal who owns an ownership interest in Franchisee (collectively referred to as Franchisee's Business Records). If such an inspection should reveal that Gross Revenues have been understated in any report to Franchisor, then Franchisee shall immediately pay the amount of Royalty and other fees and amounts due with respect to such understatement, plus the late fees and interest as provided by this Agreement. In addition, if the audit is initiated due to franchisee's non-compliance with the terms herein or the Operating Manual or if an inspection reveals an understatement of Gross Revenues of three percent (3%) or more for any monthly period so inspected, or if an inspection is prompted by Franchisee's failure to maintain any records or to timely submit any report or other information required by this Agreement, then Franchisee shall also reimburse Franchisor for any and all costs and expenses of such inspection (including, without limitation, wages paid by Franchisor to its employees, travel expenses, and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have. Franchisor shall also have the right, at any time, to have an independent audit made of Franchisee's Business Records.

## **XI. INDEMNIFICATION AND INSURANCE**

### **A. Indemnification**

Franchisee is responsible for all losses or damages from contractual liabilities to third persons from the possession, ownership, and operation of the Franchised Business and all claims or demands for damages to property or for injury, illness or death of persons, directly or indirectly arising out of, or in connection with, possession, ownership or operation of the Franchised Business or the actions or omissions of Franchisee, its employees, officers, managers, representatives, and agents. Franchisee shall provide written notice to Franchisor of any and all demands for damages, claims, civil, administrative, or regulatory suits, complaints, or action, demands for arbitration, mediation, filed against Franchisee or Franchisee's owners, employees, or agents no more than 14 days from service of any of the aforementioned.

Franchisee agrees to indemnify, hold harmless and, at the Franchisor's request, defend the Franchisor and its affiliates and franchisees, and their agents, employees, attorneys, successors and assigns against any and all claims, suits, demands, losses, damages or liabilities, and all related expenses, including reasonable attorneys' fees and court costs, which directly or indirectly arise out of, in connection with, or as a result of possession, Franchisee's ownership or operation of the Franchised Business or the acts or omissions of Franchisee. This indemnity obligation will continue in full effect even after the expiration, transfer, or termination of this Agreement. The Franchisor's right to indemnity under this Agreement will arise and be valid notwithstanding that joint or concurrent liability may be imposed on the Franchisor by statute, ordinance, regulations, or other laws.

## **B. Insurance**

Franchisee must obtain and provide Franchisor with evidence of insurance in at least the minimum amounts and with the coverages specified in the Operating Manual or otherwise by Franchisor. Evidence of this insurance must be initially provided before beginning operation of the Franchise Business. Certificates of renewal must be provided no later than 10 days before the expiration date of each policy. If Franchisee does not provide the Franchisor with evidence of any required insurance policies at any due date, Franchisor may purchase that insurance at the Franchisee's expense. Franchisee shall reimburse Franchisor on demand for Franchisor's cost in obtaining this insurance together with interest at the rate of eighteen percent (18%) per annum or the highest rate allowed by law, whichever is less, from the date of payment by Franchisor to the date of reimbursement by Franchisee. Each required policy of liability insurance must name Franchisor as an additional insured and must provide that Franchisor will be given at least 30 days' notice before cancellation, modification, or amendment of the policy.

## **XII. PROPRIETARY MARKS**

### **A. Use by Franchisee**

Franchisee's right to use the Marks as granted in this Agreement is limited to their use in connection with the operation of the Franchised Business within the Territory and otherwise as described herein and as set forth in the Operating Manual or as may be prescribed in writing by Franchisor from time to time. Franchisor retains the right to modify or discontinue the Marks in its discretion. Franchisee, at its cost and expense, shall modify or discontinue the use of the Marks as Franchisor modifies or discontinues. Franchisor is not required to reimburse or compensation Franchisee for any modification or discontinuation of the Marks.

### **B. Exclusive Property of Franchisor**

Franchisee acknowledges Franchisor's right, title, and interest in and to the Marks, along with the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in the System are exclusive to Franchisor. Except as expressly provided by this Agreement, Franchisee shall acquire no right, title, or interest therein, and any and all goodwill associated with the system and the Marks shall inure exclusively to Franchisor's benefit. Upon the expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the system or the Marks.

### **C. Infringement by Franchisee**

Franchisee acknowledges that the use of the Marks outside of the scope of this Agreement without Franchisor's prior written consent is an infringement of Franchisor's rights, title, and interest in and to the Marks. Franchisee expressly covenants that during the term of this Agreement and after the expiration or termination hereof, Franchisee shall not, directly or indirectly, commit an act of infringement or contest or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof.

### **D. Infringement by Others**

Franchisee shall promptly notify Franchisor of any use of the Marks or any colorable variation thereof by any person or legal entity other than Franchisor or any of its representatives and agents or other Franchisees, or any other mark in which Franchisor has or claims a proprietary interest. Franchisee further agrees to notify Franchisor promptly of any litigation instituted by any person or legal entity against Franchisor or Franchisee involving the Marks. In the event Franchisor, in its sole discretion, undertakes the defense, prosecution, or settlement of any litigation relating to the Marks, Franchisee agrees to execute any and all documents and to render such assistance as may, in the opinion of Franchisor, be reasonably necessary to carry out such defense, prosecution or settlement. In the event that any party demonstrates, to Franchisor's sole satisfaction, a superior right to use any of the Marks, Franchisee shall, upon demand by Franchisor, discontinue its use of such Mark(s) and adopt, at Franchisee's sole cost and expense, any Mark(s), if any, selected by Franchisor to replace such discontinued Mark(s).

### **E. Improper Use**

Franchisee shall not use any of the Marks, or any derivative or colorable variation thereof: (i) as part of Franchisee's corporate or other legal name; (ii) on or as part of any Website, domain name, URL, web page, electronic mail address, listing, banner, advertisement or any other service or link on, to or with the internet, World Wide Web, internet service providers, electronic mail services, communication providers, search engines, or other similar services (without Franchisor's prior written consent); (iii) with any prefix, suffix (including, but not limited to, the word "Inc."), or other modifying words, terms, designs, or symbols; or (iv) in any modified form. Franchisee shall not register any of the Marks, or any derivative or colorable variation thereof, as a service mark, trademark, or internet domain name, or hold out or otherwise employ the Marks to perform any activity or to incur any obligation or indebtedness in such a manner as could reasonably result in making Franchisor liable therefore or that may harm, tarnish, or impair Franchisor's reputation, name, services or Marks. The provisions of this paragraph shall survive the expiration, termination, or cancellation of this Agreement.

### **F. Non-exclusive Use**

Franchisee expressly acknowledges and agrees that this license to use the Marks is non-exclusive, and Franchisor has and retains the rights, among others:

1. To grant other licenses for the use of the Marks, in addition to those already granted to existing franchisees and to Franchisee; and
2. To develop and establish other systems and programs utilizing the same or similar Marks, or any other proprietary marks, and to grant franchises therein without granting Franchisee any rights therein;

### **G. Use by Others.**

Franchisee shall not permit any third party to imprint the Marks on any products, materials, documents, and supplies utilized by Franchisee in connection with the operation of the Franchised Business without first obtaining the consent of Franchisor and causing such third party to execute a license agreement as specifically provided for in this Section of this Agreement.

## **XIII. CONFIDENTIAL OPERATING MANUAL**

### **A. Business Operations**

In order to protect the reputation and goodwill of Franchisor and to maintain uniform standards of operation under the Marks, Franchisee shall conduct its operations hereunder in accordance with Franchisor's Operating Manual, as the same may be amended or modified from time to time.

### **B. Confidentiality**

The Operating Manual shall, at all times, remain the sole property of Franchisor. Franchisor treats the Operating Manual and all information contained therein as confidential and proprietary. Franchisee shall treat the Operating Manual and all information contained therein as confidential and proprietary and shall use all reasonable efforts to maintain such information as confidential and proprietary. Franchisee shall also ensure that its employees treat the Operating Manual and all information contained therein as confidential and proprietary. Franchisee shall not at any time copy, duplicate, record, or otherwise make the same available to any unauthorized person. The foregoing provisions shall survive the expiration, termination, or cancellation of this Agreement.

### **C. Modification**

Franchisor shall have the right to add to or otherwise modify the Operating Manual from time to time to reflect changes in any of the System Standards, provided that no such addition or modification shall alter Franchisee's fundamental status and rights under this Agreement. Without limiting the generality of the foregoing, Franchisor may, during the term of this Agreement, require Franchisee to modify, enhance and/or replace all or any part of Franchisee's communication and information system at Franchisee's expense, and Franchisee agrees to acquire (or acquire the right to use for the remainder of the term of this Agreement), within one hundred twenty (120) days after receipt of written notice from Franchisor, the modified, enhanced or replacement version of the communication and information system specified by Franchisor. Franchisee further agrees to take all other actions as may be necessary

to enable the modified, enhanced, or replacement communication and information system to operate as specified by Franchisor. Any such modifications, enhancements, and replacements may require Franchisee to incur costs to purchase, lease, and/or license new or modified computer hardware and/or software or other equipment and to obtain different and/or additional services and support services during the term of this Agreement. Franchisee acknowledges that Franchisor cannot estimate the costs of future maintenance, enhancements, modifications, and replacements to the communication and information system or other items and that such maintenance, enhancements, modifications, and replacements required by Franchisor may involve additional investment by Franchisee during the term of this Agreement. Franchisee shall at all times ensure that its copy of the Operating Manual is kept secure, current, and up to date, and in the event of any dispute as to the contents of the Operating Manual, the terms of the master copy of the Operating Manual maintained by Franchisor at Franchisor's home office shall be controlling. Upon Franchisor's request, Franchisee will cooperate in the efficient return of all Operating Manuals that have been identified by the Franchisor as obsolete.

#### **XIV. CONFIDENTIAL INFORMATION**

##### **A. Use of Confidential Information**

Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, association or corporation, any confidential information, knowledge, or know-how concerning the Real Hot Yoga Method, the System, or the methods of operation hereunder that may be communicated to Franchisee, or of which Franchisee may be apprised, by virtue of Franchisee's business operations under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Franchised Business as described herein. In connection therewith, Franchisee shall be fully responsible for ensuring that its employees comply with this Section.

##### **B. Use of and Improvements to the Method**

In order to assure maximum uniformity of quality and service in all treatments provided by all Real Hot Yoga employees and staff, Franchisee agrees to follow the procedures prescribed by Real Hot Yoga methods strictly. As Franchisor develops or learns of improvements, enhancements, or innovations in the procedures and techniques embodied in the Real Hot Yoga Method, Franchisor will disseminate such information to all franchisees of the system and authorize their use in the Franchised Business. In return and in consideration, therefore, Franchisee agrees that any idea or suggested innovation or variation that may tend to enhance or improve the Real Hot Yoga Method that Franchisee develops, discovers, or otherwise becomes aware of during the term of this Agreement shall be submitted to Franchisor for its evaluation for adoption and use, and Franchisee agrees that all proprietary rights to such ideas, innovations, improvements, enhancements, or variations created or acquired by Franchisee or any of its employees shall belong exclusively to Franchisor and may be made available to all Real Hot Yoga franchisees.

## **C. Remedies**

Franchisee acknowledges that any failure to comply with this Section will cause Franchisor irreparable injury, and Franchisee consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, specific performance of, or any injunction against a violation of, the requirements of this Section.

## **D. Preservation of Confidentiality**

Franchisee shall require Franchisee's Principals directors, officers, and managers, at the time of the commencement of their association with Franchisee, to execute confidentiality agreements, in a form approved by Franchisor, requiring that all information is proprietary or confidential hereunder that may be acquired by or imparted to such persons in connection with their association with Franchisee be held in strict confidence and used solely for the benefit of Franchisee and Franchisor, at all times during their association with Franchisee and thereafter. Such covenants shall include specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce the same.

# **XV. ADVERTISING**

## **A. Advertising**

Recognizing the value of advertising and the importance of consistency of advertising and promotion to the furtherance of the goodwill and public image of the System, the parties agree that Franchisor shall conduct, determine, maintain, and administer all national and/or regional advertising funds that are or may hereafter be established pursuant to this Section, and shall have sole discretion over the concepts, materials, media, type, nature, scope, frequency, place, form, copy, layout, and content of all national, regional, and local advertising, and accordingly agree as follows:

## **B. National Advertising Contributions**

Franchisee shall make National Advertising Contributions in the amount of 1% of Gross Revenues payable every month to such national advertising fund ("**National Advertising Fund**") as Franchisor may establish for advertising for the System.

**1.** The National Advertising Fund shall be maintained and administered by Franchisor as follows:

**2.** Franchisee agrees and acknowledges that the National Advertising Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of all franchisees within the System or within a region, as the case may be, and that Franchisor is not obligated in administering the National Advertising Fund to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchise benefits directly or pro-rata from the placement of advertising.

**3.** The National Advertising Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, researching,

directing, and preparing advertising and/or promotional activities including, without limitation, the costs of preparing and conducting advertising campaigns in various media; direct mail and outdoor billboard advertising; marketing surveys and other public relations activities; employing advertising agencies to assist therein; product development; and developing and providing promotional and other marketing materials for franchisees in the System.

4. Franchisor shall, for each of its company-owned locations (if any), make contributions to the National Advertising Fund on the same basis as assessments required of comparable franchisees within the System.

5. Franchisee shall contribute to the National Advertising Fund by separate check made payable to the Real Hot Yoga National Advertising Fund or such other designation as Franchisor may from time to time prescribe. All sums paid by Franchisee to the National Advertising Fund shall be maintained in an account separate from the other money of Franchisor. Such sums shall not be used to defray any of Franchisor's expenses, except for such reasonable salaries, overhead, and administrative, accounting, legal (including, without limitation, the defense of any claims against Franchisor and/or Franchisor's designee regarding the management of the National Advertising Fund) and other costs, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the National Advertising Fund or advertising programs for franchisees and the System, including the costs of enforcing contributions to the National Advertising Fund required under this Agreement and the costs of preparing a statement of operations. The National Advertising Fund and its earnings shall not otherwise inure to the benefit of Franchisor.

6. It is anticipated that all contributions to and earnings of the National Advertising Fund shall be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the National Advertising Fund at the end of such taxable year, all expenditures in the following taxable year(s) shall be made first out of accumulated earnings from the previous year(s), next out of earnings in the current year, and finally from contributions.

7. Franchisee agrees that Franchisor (and any designee of Franchisor) shall not have any direct or indirect liability or obligation to Franchisee, the National Advertising Fund, or otherwise with respect to the management, maintenance, direction, administration or otherwise of the National Advertising Fund. Franchisee further agrees that Franchisor shall not be liable for any act or omission, whether with respect to the National Advertising Fund or otherwise, which is consistent with this Agreement or other information provided to Franchisee, or which is done in subjective good faith. Franchisee and Franchisor, each having a mutual interest and agreeing on the critical practical business importance of his or her relationship being governed solely by written instruments signed by the parties to be bound (and not having either party subject to the uncertainty inherent in the application of legal or other concepts not expressly agreed to in writing by both parties), agree that their rights and obligations with respect to the National Advertising Fund and all related matters are governed solely by this Agreement and that neither this Agreement nor the National Advertising Fund are in the nature of a "trust," "fiduciary relationship" or similar special arrangement, but is only an

ordinary commercial relationship between independent businesspersons for their independent economic benefit.

8. The National Advertising Fund is not and shall not be an asset of Franchisor.

9. Although Franchisor intends the National Advertising Fund to be of perpetual duration, Franchisor maintains the right to terminate any Fund. No Fund shall be terminated, however, until all money in the Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions.

### **C. Franchise Advisory Council**

Franchisee shall participate, at Franchisee's sole expense, in local, regional, and national franchise advisory committees or councils if established or sanctioned by Franchisor. The Council shall serve in an advisory capacity only and will not have the authority to establish or modify our policies or to direct or control the uses of our Marketing. Franchisor shall have the power to determine membership, the election of Council Officers, and to change or dissolve the Franchise Advisory Committees.

### **D. Advertising Materials**

In addition to any other advertising requirements described in this Agreement, Franchisee shall obtain and maintain an adequate supply of brochures, pamphlets, and special promotional materials of such kind and size as Franchisor may reasonably require from time to time in the Operating Manual or otherwise in writing.

### **E. The delegation of Franchisor's Duties**

Franchisor shall have the right to delegate and redelegate its responsibilities and duties under this Agreement to any designee(s) of its choosing; provided, however, that the right of final approval of all advertising programs shall be retained at all times by Franchisor.

### **F. Web Site**

Franchisee specifically acknowledges and agrees that any Website (as defined below) is "advertising" under this Agreement and is subject to (among other things) Franchisor's approval. As used in this Agreement, the term Website means an interactive electronic document, a series of symbols, or otherwise, that is contained in a network of computers or other devices linked by communications software. The term Website includes, but is not limited to, the internet, World Wide Web home pages, URL addresses, and Social Media accounts and pages. In connection with any Website, Franchisee agrees to the following:

1. Franchisor shall have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Marks, any or all of the Permitted Products and Services, Real Hot Yoga Franchised Business, the franchising of Real Hot Yoga Franchised Business, and/or the System. Franchisor shall have the sole right to control all aspects of the Website, including, but not limited to, its design, content, functionality, links to

the websites of third parties, legal notices, and policies and terms of usage. Franchisor shall also have the right to discontinue the operation of the Website.

**2.** Franchisee shall not establish a separate Website or Social Media account or page without Franchisor's prior written approval.

**3.** Franchisor shall have the right, but not the obligation, to designate one or more web pages to describe Franchisee, the Franchise, or the Franchised Business, with such web pages to be located within Franchisor's Web site. Franchisee shall comply with Franchisor's policies with respect to the creation, maintenance, and content of any such web pages, and Franchisor shall have the right to limit and discontinue the content and operation of such a Website and web pages.

**4.** Franchisor shall have the right to modify the provisions of this Section relating to Web sites as Franchisor shall solely determine if it is necessary or appropriate for the best interests of the System.

## **G. Approval of Advertising**

All advertising by Franchisee in any medium shall be conducted in a dignified manner, shall be completely accurate and truthful, shall conform to all applicable laws and regulations relating to consumer advertising and to such standards and requirements as Franchisor may specify from time to time in writing, and shall give notice that the Franchised Business is independently owned and operated. Franchisee shall submit to Franchisor (by certified mail, return receipt requested), for Franchisor's prior approval (except with respect to prices to be charged), samples of all advertising and promotional plans and materials (including, but not limited to, signs and vehicles), and all other materials displaying the Marks that Franchisee desires to use and that have not been prepared or previously approved by Franchisor. Unless Franchisee receives a written objection thereto from Franchisor within fifteen (15) days after the date Franchisor received such plans and materials, Franchisor shall be deemed to have given the required approval. Franchisee shall display the Marks in the manner prescribed by Franchisor on all signs and all other advertising and promotional materials used in connection with the Franchised Business.

## **H. Copyright to Advertising**

Franchisee acknowledges and agrees that any and all copyrights in and for advertising and promotional materials developed by or on behalf of Franchisee which bear the Marks shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities, or materials proposed or developed by Franchisee for the Franchised Business or the System and approved by Franchisor may be used by Franchisor and other franchisees of Franchisor without any compensation to Franchisee.

## **I. Local Advertising**

Franchisee shall conduct advertising, promotion, and public relations within the local area to be serviced by the Franchised Business (Local Advertising). It is required that Franchisee spends at least \$500 per month or 2% of Gross Revenues, whichever is more for Local Advertising to generate public interest and awareness of the Franchised Business and to adequately penetrate the market for Franchisee's products and services within Franchisee's trading area. Franchisee shall submit proof of local advertising spend to franchisor by the 10th day following the end of each fiscal quarter.

## **J. Regional Advertising Cooperatives**

Franchisor may, in its discretion, designate any geographical area in which at least two Real Hot Yoga Franchised Businesses are located for the purpose of establishing a local or regional marketing and advertising cooperative (Cooperative). Franchisee shall take appropriate steps to establish and participate in a Cooperative if required to do so by Franchisor. If a Cooperative for the geographical area in which the Franchised Business is located has already been established when Franchisee opens the Franchised Business, then Franchisee shall immediately become a member of the Cooperative under the terms of its governing documents. If a Cooperative for the geographical area in which the Franchised Business is located is established during the term of this Agreement, Franchisee shall immediately become a member of the Cooperative and take all steps necessary to become a member. In no event shall Franchisee be required to be a member of more than one Cooperative for the Franchised Business established under this Agreement. The following provisions apply to each Cooperative:

- 1.** Each Cooperative will be organized and governed in a form and manner prescribed or approved by Franchisor in writing and will commence operations on a date specified by Franchisor. Any disputes arising between Franchisee, on one side, and other franchisees in the Cooperative or the Cooperative, on the other side, will be resolved in accordance with the rules and procedures in the Cooperative's governing documents. Each member of a Cooperative, whether Franchisor, an affiliate of Franchisor, or a franchisee of Franchisor, will be entitled to one vote for each Franchised Business operated by the member in the geographical area for which the Cooperative is established.

- 2.** Franchisor, in its sole discretion, shall establish the geographical area covered by each Cooperative by determining the common coverage areas of advertising media relevant to the

particular geographic market, the Metropolitan or Metropolitan Statistical Area, industry practices, or Franchisor's advertising policies.

**3.** Each Cooperative will be organized for the exclusive purpose of administering local or regional advertising programs and developing, subject to Franchisor's approval, standardized promotional materials for use by the members in local or regional advertising and promotion.

**4.** No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor pursuant to the procedures in this Section of this Agreement.

**5.** Each month that a Cooperative is in existence for Franchisee's geographical area, Franchisee shall contribute to the Cooperative an amount specified by Franchisor or Cooperative (the Cooperative Contribution). Franchisee's Cooperative Contribution will not be credited towards the National Advertising Contribution required by this Section.

**6.** The members of the Cooperative will determine the amount of the Cooperative Contribution in accordance with its governing documents, but the Cooperative Contribution may not exceed the monthly Suggested Local Advertising Expenditure provided here above unless all members in the Cooperative unilaterally vote for such higher contribution. Franchisee shall pay its Cooperative Contribution, together with any statements or reports that Franchisor or the Cooperative (with Franchisor's prior written approval) may require, on a date each month determined by the Cooperative, but no later than the tenth day of each month.

**7.** Within thirty days after the end of each calendar month, each Cooperative will prepare and submit to Franchisor financial statements presenting the financial position and results of operations of the Cooperative for the preceding month. Each member of the Cooperative will be entitled to receive a copy of the Cooperative's financial statements upon request.

**8.** For each Real Hot Yoga Franchised Business operated by Franchisor or an affiliate of Franchisor in a geographical area for which a Cooperative has been established, Franchisor shall make a Cooperative Contribution on the same basis as assessments required of comparable franchises that are members of the same Cooperative.

**9.** Cooperatives established by Franchisor are intended to be of perpetual duration. However, Franchisor maintains the rights to modify, merge, or dissolve any Cooperative. Franchisor shall use any unexpended monies from the dissolved Cooperative only for advertising or promotional purposes for the System.

**10.** Franchisee acknowledges that Real Hot Yoga Franchised Business operated by other franchisees of Franchisor, even though located in the same geographical area in which the Franchised Business is located, may be operating under franchise agreements containing terms that vary substantially from the terms of this Agreement, and consequently, may not be required to participate in Cooperatives.

## **K. Grand Opening**

Franchisee acknowledges and agrees that it is recommended Franchisee spends at least \$4,500 to \$5,000 on grand opening advertising before opening the Franchised Business and/or during

the first 3 months of operation. You may choose to spend more. Factors that may affect your decision on the actual amount to spend include local media cost, the location of the Franchised Business, and client demographics in the surrounding area.

## **XVI. TRANSFERABILITY OF INTEREST**

### **A. Transfer by Franchisor**

Franchisor shall have the right to transfer or assign all or any part of its rights and/or obligations herein to any person or legal entity, including a subfranchisor specifically responsible for assisting Franchisee. Franchisee agrees to execute any forms that Franchisor may reasonably request to effectuate any transfer or assignment by Franchisor.

### **B. Transfer by Franchisee**

Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and, if Franchisee is other than an individual, Franchisee's Principals, and that Franchisor has entered into this Agreement in reliance upon the business skills and financial capacity of Franchisee and if Franchisee is other than an individual, Franchisee's Principals. Accordingly, neither Franchisee, nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchise, shall sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest therein or in Franchisee without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without the opportunity to cure. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee or in this Franchise; provided, however, that prior to the transfer, Franchisor may, in its sole discretion, require that:

- 1.** All of Franchisee's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchised Business shall have been satisfied.
- 2.** The transferor's right to receive compensation pursuant to any agreement for the purchase of any interest in Franchisee or in the Franchised Business shall be subordinated and secondary to Franchisor's rights to receive any outstanding monetary obligations or other outstanding obligations due from the transferor or Franchisee pursuant to this Agreement, whether arising before or after the transfer.
- 3.** The transferee franchisee shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement prior to and after the date of the assumption.
- 4.** The transferee franchisee shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the

Franchised Business (as may be evidenced by prior related business experience or otherwise) and has adequate financial resources and capital to operate the Franchised Business.

5. The transferee franchisee shall execute Franchisor's then-current form of the franchise agreement and such other ancillary agreements as Franchisor may require, for a term ending on the expiration date of this Agreement and with such renewal term(s) as provided in the then-current Franchise Agreement.

6. At the transferee franchisee's expense, and upon such other terms and conditions as Franchisor may reasonably require, the transferee Franchisee, its Designated Manager and other persons that are normal and customary required to attend training must satisfactorily complete Franchisor's training requirements then in effect for franchisees.

7. Any right of Franchisee to any payments from the transferee franchise resulting from the transfer shall be subordinate to any claim or right of Franchisor against the transferee franchisee subsequent to the effective date of the transfer, and Franchisee and the transferee Franchisee shall execute any and all instruments reasonably required by Franchisor to evidence such liability.

8. Either Franchisee or the transferee Franchisee shall pay Franchisor a transfer fee of \$25,000. No transfer fee will be required in the case of a transfer of Franchisee's interest under this Agreement to an entity formed solely for the convenience of ownership in accordance with the provisions of this Agreement.

9. Notwithstanding the provisions of Subsection above, neither Franchisee nor any Principal of Franchisee, nor any immediate or remote successor to any part of Franchisee's interest in the Franchised Business, shall pledge, mortgage, grant a security interest, or otherwise encumber any interest in this Agreement, in the franchise granted hereunder, or in Franchisee (whether or not in connection with an absolute transfer of an interest in the Franchised Business). Franchisor shall not be obliged to consent to any such transfer.

### **C. Transfer to Controlled Entity**

In the event that Franchisee proposes to transfer all of its interest in the Franchised Business to an entity formed solely for the convenience of ownership, Franchisor's consent to such transfer may, in its sole discretion, be conditioned on the following requirements:

1. Franchisee shall own a controlling interest in the transferee entity;
2. The transferee entity shall be newly organized, and its charter, articles of organization, bylaws, partnership agreement, or operating agreement shall provide that its activities are confined exclusively to operating the Franchised Business;
3. Franchisee, prior to the transfer, shall have provided Franchisor with written information as to each Principal of the transferee entity, and the interest of each, and shall promptly notify Franchisor of any changes in any such information during the term of this Agreement;
4. The transferee entity shall designate a Designated Manager in compliance with this Agreement;

5. All Principals of the transferee entity shall enter into an agreement, in a form satisfactory to Franchisor, unconditionally guaranteeing the full payment and performance of the transferee entity's obligations to Franchisor;

6. Each ownership certificate of the transferee entity, if any, shall have conspicuously endorsed upon its face the following legend:

*"The transfer, sale or pledge of these shares is subject to the terms and conditions of a Franchise Agreement with Real Hot Yoga Franchise, LLC dated \_\_\_\_\_."*

7. Copies of the transferee entity's articles of incorporation or organization, bylaws, partnership agreement, operating agreement, and other governing documents, including the resolutions of the Principals or Board of Directors authorizing the execution of this Agreement, shall be furnished to Franchisor for its approval; and

8. The transferee entity's name shall not consist of or contain the Marks or any colorable variation thereof or any other mark in which Franchisor has or claims a proprietary interest.

#### **D. Franchisor's Right of First Refusal**

If Franchisee or its Principals shall at any time decide to sell, transfer or assign any right or interest under this Agreement and/or the franchise granted pursuant hereto, Franchisee or its Principals shall first obtain a bona fide, executed, written offer from a responsible and fully disclosed purchaser and shall submit an exact copy thereof to Franchisor. For a period of thirty (30) days after the date of delivery of such offer to Franchisor, Franchisor shall have the right, exercisable by written notice to Franchisee or any of its officers, to purchase such rights or interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute equivalent cash for any form of payment proposed in such offer. Any purchase by Franchisor must be completed within ninety (90) days after Franchisee's receipt of Franchisor's written notice of its intent to purchase. If Franchisor does not exercise its right of first refusal, Franchisee or its Principals may complete the sale of such interest to the bona fide purchaser, subject to Franchisor's approval of the purchaser as provided herein; provided, however, that if the sale to such purchaser is not completed within one hundred twenty (120) days after the delivery of the offer to Franchisor, Franchisor shall again have the right of the first refusal herein provided.

#### **E. The right of Franchisee's Heirs upon Death or Disability of Franchisee**

A transfer to the heirs, surviving spouse, or personal or other legal representative of Franchisee (collectively, Involuntary Transferees) upon the death or legal disability of Franchisee shall not be subject to Franchisor's right of first refusal above or right to terminate for failure to obtain written approval for Transfer as provided herein, so long as the Involuntary Transferees (i) satisfy Franchisor that they are qualified to act as a franchisee, and (ii) perform all other applicable acts required of a Transferee and Transferor as prescribed this Agreement. Such transfer shall be made within one hundred eighty (180) days after the death or disability of Franchisee, or Franchisor, at its option, may terminate this Agreement, whereupon all rights granted to Franchisee hereunder shall revert to Franchisor. Any subsequent sale or other transfer by any Involuntary Transferee shall be subject to Franchisor's right of written approval

set forth in this Section in this Agreement and to Franchisor's right of first refusal set forth above. Transfer to Involuntary Transferees shall not require the payment of the transfer fee required by this Agreement. Actual legal costs incurred by Franchisor to approve and effect the transfer will be charged, however.

## **XVII. TERMINATION**

### **A. Termination by Franchisor**

Franchisor may elect to terminate this Agreement, without prejudice to any other legal or equitable rights or remedies upon the occurrence of any one or more of the following events:

- 1.** Franchisee fails to timely (i) locate and secure a Site as so required by this Agreement, or (ii) open the Franchised Business within the time limits prescribed by this Agreement.
- 2.** Franchisee fails to satisfy all of the training obligations herein.
- 3.** Franchisee fails to pay when due any sum required to be paid by Franchisee under this Agreement or any other agreement or instrument between Franchisor and Franchisee.
- 4.** Franchisee is late for more than 10 days on any payment due and owing to a Real Hot Yoga approved or designated vendor or supplier.
- 5.** Franchisee fails on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, Royalty Fees or other fees and payments when due to Franchisor or any Affiliate of Franchisor, or otherwise fails to comply with this agreement, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee.
- 6.** Franchisee fails to operate the Franchised Business in full compliance with the terms of this Agreement, the Operating Manual, or the System Standards.
- 7.** Franchisee fails to operate the Franchised Business for more than two (2) consecutive days that the Franchised Business is required or is customarily open in the ordinary course of business or otherwise abandons the Franchised Business.
- 8.** Franchisee provides, offers or sells products or services other than those who are Permitted Products and Services and/or Franchisee fails to provide, offer, or sell any one, some or all of the Permitted Products and Services.
- 9.** Franchisee provides offers or sells any Permitted Products and Services at or from a location that is within the franchise territory of another Real Hot Yoga franchise (except as expressly stated this Agreement, the Operating Manual, or any other written agreement between Franchisor and Franchisee), or otherwise infringes upon rights granted by Franchisor under franchise agreements with other franchisees of Franchisor.
- 10.** Franchisee fails to achieve or exceed System Standards in two (2) inspections in any twenty (24) month period.

- 11.** Franchisee is declared bankrupt or insolvent, or Franchisee is the debtor in a voluntary or involuntary bankruptcy proceeding under the U.S. Bankruptcy Code (this provision may not be enforceable under federal bankruptcy law).
- 12.** A receiver is appointed for Franchisee or for any part of its property, or Franchisee makes any assignment for the benefit of its creditors, if not dismissed within fifteen (15) days.
- 13.** Franchisee loses the right to possession of the Site upon which the Franchised Business is located, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located unless such default results from circumstances beyond the control of Franchisee and does not arise from any action taken or failure to act by Franchisee or Franchisee's failure to cure or correct the circumstances that led to such default (provided, however, that if through no fault of Franchisee, the Site is damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, or if the Site is acquired pursuant to a government taking of property, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate the Franchised Business or reconstruct the Franchised Business, which approval shall not be unreasonably withheld).
- 14.** Franchisee fails, for a period of ten (10) days after receipt of notification of noncompliance, to comply with any federal, state, or local law or regulation applicable to the operation of the Franchised Business.
- 15.** Franchisee makes any transfer or attempted transfer that fails to comply with this Agreement.
- 16.** The Franchised Business is seized, taken over or foreclosed by a government official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor; a final judgment against Franchisee remains unsatisfied for thirty (30) days (unless a supersedeas or other appeal bond has been filed), or a levy of execution has been made upon the franchise granted by this Agreement or upon any property used in the Franchised Business that is not discharged within five (5) days of such levy.
- 17.** Franchisee or any Principal violates the restrictive covenants of the confidentiality, solicitation, competition as set forth in this agreement or otherwise directly or indirectly uses or discloses Confidentiality Information to or for the benefit of it, his/her, or benefit of another or publishes causes to be published Confidential Information without the expressed written consent of Franchisor.
- 18.** Any conduct or activity by Franchisee or any Principal, director, or officer of Franchisee that Franchisor believes is reasonably likely to have an adverse effect or reflect unfavorably on the Franchised Business, Franchisor, the System, the Marks, or the goodwill associated therewith, including, but not limited to, any criminal misconduct for which Franchisee or any Principal, director, or officer of Franchisee is convicted.
- 19.** Franchisee knowingly maintains false books or records, or knowingly submits any false reports (including, but not limited to, the information provided as part of Franchisee's application for this franchise) to Franchisor or understates its Gross Revenues reported to Franchisor by more than five percent (5%) and any given 180-day period.

**20.** Any threat or danger to public health or safety resulting from the construction, maintenance, or operation of the Franchised Business, and Franchisee has not immediately commenced actions to cure the problem or has not promptly cured or corrected the problem or activity that gave rise to the threat or danger.

**21.** Franchisee fails to perform or breaches any other provision of this Agreement or of any other agreement or instrument between Franchisor, Franchisor's affiliates, or a Real Hot Yoga designated supplier and Franchisee and fails to cure any such breach within thirty (30) days from notice of breach or if any agreement by and between the Franchisee or its affiliates and Franchisor or its affiliates or a Real Hot Yoga designated supplier is terminated by reason of Franchisee's, Franchisee's affiliate(s)', or Franchisees Principal Owner(s)' default, irrespective of such default was in part or in whole directly or indirectly the reason for termination.

### **B. Notice of Default**

If Franchisee fails to cure any default within thirty (30) days (or such longer period as may be required by applicable law) after its receipt of a written notice of default from Franchisor, Franchisor may terminate this Agreement, except that no written notice of default or opportunity to cure shall be required in the case of a default described in immediately preceding subsections above. If Franchisee breaches the same term of this Agreement three (3) times within any twelve (12) month period, for each of which Franchisee was given notice and an opportunity to cure as provided herein, Franchisor may terminate this Agreement upon any subsequent breach of the same term within such twelve (12) month period, without providing notice or opportunity to cure. Termination of this Agreement shall be effective automatically upon the expiration of the time period specified above (or such longer period as may be required by applicable law) or, if no notice of default is required, immediately upon Franchisee's receipt of a written notice of termination.

### **C. Liability for Default**

If Franchisee fails to cure any default within the applicable time period set forth in this Section, Franchisee shall pay all damages, costs, and expenses incurred by Franchisor as a result of any such default, including, but not limited to, reasonable attorney and accounting fees. This provision shall apply regardless of whether or not Franchisor exercises its right to terminate this Agreement or initiate legal or arbitration proceedings against Franchisee.

### **D. Our Step-In Rights**

The parties herein want to prevent any operation or interruption of the Franchised Business that would cause harm to the Franchised Business and to System and lessen their value. Therefore, Franchisee authorizes Franchisor to step in to operate the Franchised Business for as long as Franchisor believes necessary and practical in Franchisor's exclusive judgment. Franchisor may do so without waiving any other rights or remedies that Franchisor may have.

Cause for stepping-in may include Franchisor's determination that: Franchisee is incapable of operating the Franchised Business; Franchisee is absent or incapacitated because of illness or death; Franchisee has failed to pay when due any real property, equipment rent or lease payments, suppliers, or inventory payments; Franchisee has failed to pay to Franchisor when due any franchise, royalty, advertising, or other fee; Franchisee has failed to pay when due any

taxes or assessments against the Franchised Business or property used in the Franchised Business; Franchisee has failed to pay when due any liens or encumbrances placed upon or against Franchised Business property; Franchised Business activities are having a negative impact on the value of System or Franchisor decides that significant operational problems require Franchisor to operate the Franchised Business for a time.

All Revenue from Franchisor's operation of the Franchised Business will be for Franchisee's exclusive account. Franchisor will pay from that Revenue all expenses, debts, and liabilities Franchisor incur during Franchisor's operation of the Franchised Business. This will include Our personnel and administrative and travel costs, plus fifteen percent (15%) of that Revenue to cover Franchisor overhead expenses. In addition, Franchisor will have the option, but not the obligation, to pay to Franchisee any claims owed by Franchisee to any creditor or employee of the Franchised Business. Franchisee will reimburse Franchisor upon demand, including at the rate set forth above for overdue amounts.

Our exercise of these Step-In Rights, Franchisee agrees to hold Franchisor harmless for all acts, omissions, damages, or liabilities arising during Franchisor's operation of the Franchised Business. Our operation of the Franchised Business will not operate as an assignment to Franchisor of any lease or sublease of Franchised Business property. Franchisor will have no responsibility for payment of any rent or other charges owing on any lease for Franchisee property, except as the charges relate to the period of Franchisor's operation of the Franchised Business. You agree to pay Franchisor's legal and accounting fees, and costs Franchisor incurs because of Franchisor's exercise of these Step-In Rights.

## **XVIII. OBLIGATIONS UPON TERMINATION**

Upon the termination or expiration of this Agreement, for any reason, Franchisee shall forthwith:

- 1.** Cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.
- 2.** Immediately and permanently cease to use, by advertising or in any manner whatsoever, any equipment, materials, confidential methods, procedures, or techniques associated with the System or that display the Marks, or any other distinctive forms, slogans, signs, symbols, or devices associated with or belonging to Franchisor.
- 3.** Make such modifications or alterations to the Site of the Franchised Business, including the improvements thereon, as may be necessary or requested by Franchisor (including, but not limited to, changing the telephone number) to prevent the operation of any business on the Site upon which the Franchised Business is located that might be deemed substantially similar to that of the Franchised Business or any other franchisee of Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor shall have the right to enter the Site, without being guilty of trespass or any other tort or crime, for the purposes of making or causing to be made such changes as may be required, at the expense of Franchisee.

- 4.** At the option of Franchisor, assign to Franchisor or Franchisor's designee any interest of Franchisee in any lease or sublease for the Site of the Franchised Business. If Franchisee fails to do so, Franchisor shall have the right, for which purpose Franchisee hereby appoints Franchisor as its attorney-in-fact, to make such assignment on Franchisee's behalf. If Franchisor elects not to exercise its option to acquire Franchisee's lease/sublease, Franchisee shall make such modifications or alterations to the Site of the Franchised Business as described in subparagraph above immediately upon termination or expiration of this Agreement as may be necessary and requested by Franchisor for that purpose (including, but not limited to, changing the telephone number).
- 5.** Turnover to Franchisor the Operating Manual, records, client and other files, instructions, correspondence, and software provided and/or licensed by Franchisor, including, without limitation, brochures, agreements, disclosure statements and any materials relating to the business operated hereunder, which may be in Franchisee's possession, together with all copies thereof (all of which Franchisee acknowledges to be Franchisor's sole property).
- 6.** At the option of Franchisor, assign to Franchisor or Franchisor's designee all of Franchisee's rights, title and interest in and to any and all (i) telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings, and (ii) Web Sites, web pages, listings, banners, URLs, advertisements, or any other services and links related to the Franchised Business or the use of Franchisor's trademarks, service marks or other logos, on or with the internet, World Wide Web, internet service providers, electronic mail services, communication providers, search engines or other similar services.
- 7.** At the option of Franchisor (to be exercised within thirty (30) days after termination), sell to Franchisor any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's depreciated book value.
- 8.** Take such action as may be necessary to cancel any assumed name or equivalent registration that contains the mark Real Hot Yoga or any of the other Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) days after termination or expiration of this Agreement.
- 9.** Immediately pay all sums due and owing to Franchisor, including, but not limited to, any unpaid Royalty Fees other fees and monies.
- 10.** Obtain and maintain in effect all coverage for the professional liability or errors and omissions insurance and general liability insurance by this Agreement, to extend the period in which claims may be made for a period of time not less than the applicable statute of limitations in the jurisdiction in which the Franchised Business is located.
- 11.** Franchisee does hereby irrevocably constitute and appoint Franchisor as the true and lawful attorney-in-fact and agent for Franchisee to carry out Franchisee's obligations under this Section. Franchisee agrees to promptly execute, acknowledge, and deliver to Franchisor any and all such documents as may be required to carry out Franchisee's obligations hereunder. The provisions of this Section shall survive the expiration, termination, or cancellation of this Agreement.

## **XIX. COVENANTS OF FRANCHISEE**

### **A. Management of Franchise**

Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, the Franchised Business shall at all times be under the direct supervision of Franchisee, the Designated Manager, or the Franchised Business Manager, who shall devote his/her full time, energy, and best efforts to the management and operation of the Franchised Business.

### **B. Covenants during the Term of Franchise Agreement**

Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development, and operation of the Franchised Business, procedures and techniques of the Real Hot Yoga Method, and sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation:

- 1.** divert or attempt to divert any business or client of the Franchised Business or of any other franchisee of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System;
- 2.** employ or seek to employ any person who is at that time employed by Franchisor or any franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or
- 3.** own, maintain, engage in, or have any interest in any business offering yoga, or any other products or services that are offered in the Franchised Business (“**Competitive Business**”), unless otherwise consented to in writing by Franchisor.

### **C. Covenants after Termination of Franchise Agreement**

Franchisee further covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, partnership or corporation:

- 1.** for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, own, maintain, operate, engage in, or have any interest in any business offering yoga, or any other services that had been offered by the Franchised Business, within twenty-five (25) miles of any Real Hot Yoga Franchised Business; or
- 2.** for a continuous and uninterrupted period commencing upon the expiration or

termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly solicit or perform services for any person who was a client of the Franchised Business at any time during the term of this Agreement.

3. Franchisee and Franchisor agree that the covenants contained in this Section shall survive the expiration, termination, or cancellation of this Agreement.

#### **D. Exclusion for Publicly Traded Company**

This Section shall not apply to the beneficial ownership by Franchisee of less than five percent (5%) of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

#### **E. Independent Covenants; Severability**

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

#### **F. Reduction of Covenants by Franchisor**

Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions hereof.

#### **G. Claims Against Franchisor No Defense**

Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

#### **H. Injunctive Relief**

Franchisee acknowledges that its violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available; and Franchisee accordingly consents to the issuance of and agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section.

#### **I. Execution of Covenants by Key Personnel**

At the request of Franchisor, Franchisee shall provide Franchisor with executed Restrictive

Covenant Agreements, containing covenants similar in substance to those set forth in this Section (including covenants applicable upon the termination of a person's relationship with Franchisee), from each manager, officer, director, and Principal of Franchisee. With respect to each person who becomes associated with Franchisee in one of the capacities enumerated above subsequent to the execution of this Agreement, Franchisee shall require and obtain such covenants from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Business prior to their execution of such a covenant. All covenants required by this Section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. The failure by Franchisee to obtain the execution of the covenants required by this Section and provide the same to Franchisor shall constitute a material breach of this Agreement.

## **XX. ENFORCEMENT**

### **A. Mediation**

If a dispute arises between the parties that cannot be settled through negotiation, the parties shall first try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Procedures before resorting to litigation or other dispute resolution procedures. The mediation proceedings shall take place at the American Arbitration Association location nearest Franchisor's principal place of business (presently Knox County, Tennessee).

### **B. Injunctive Relief**

Franchisor shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (a) Franchisee's use of the Marks; (b) the obligations of Franchisee upon the termination or expiration of this Agreement; (c) Covenants of Franchisee; (d) any assignment or transfer of this Agreement or any ownership interest contrary to this Agreement; or (e) as necessary to prohibit any act or omission by Franchisee or its employees or agents: (i) that would constitute a violation of any applicable law, ordinance, or regulation; (ii) that is dishonest or misleading to Franchisor and/or Franchisor's other franchisees; or (iii) that, in Franchisor's reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the Franchised Business, Franchisor, the System or the Marks.

### **C. Arbitration**

Except as otherwise provided herein, any claim or controversy arising out of or related to this Agreement, or the breach thereof, shall be settled by mandatory binding arbitration in Knox County, Tennessee, in accordance with the U.S. Arbitration Act, if applicable, and the Rules of the American Arbitration Association (in accordance with the rules relating to the arbitration of disputes arising from franchise and license agreements, if any, or otherwise in accordance with the general rules of commercial arbitration), provided that at the option of Franchisor or Franchisee the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association (if obtainable, or otherwise in accordance with the

customary procedures for selecting an arbitrator). The arbitrator shall allow discovery in accordance with the Federal Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award, and the arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction thereof or of the Franchisor or Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. All arbitration proceedings will be individual proceedings between Franchisor and Franchisee and will not be conducted on a "class" basis or include any other of our franchisees as named parties unless Franchisor and Franchisee each agree. The arbitration proceedings shall take place in Knox County, Tennessee, or the county of the state where the Franchisor is then headquartered.

#### **D. Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that shall cause it loss or damages, including obtaining restraining orders, preliminary and permanent injunctions.

FRANCHISEE AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED. FRANCHISEE WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY FRANCHISEE AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, FRANCHISEE'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF FRANCHISEE'S FRANCHISE FEE PAYMENTS.

FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

#### **E. Limitations of Claims**

Except for claims against Franchisee concerning the underreporting of gross sales and for claims against Franchisee by Franchisor relating to third party claims or suits brought against Franchisor, as a result, Franchisee's operation of the franchise business, any and all claims arising out of or relating to this Agreement or the relationship between the parties hereto shall be barred unless an arbitration or legal proceeding is commenced within one (1) year from the date Franchisee, or Franchisor knew or should have known of the facts giving rise to such claims.

### **XXI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

It is understood and agreed that nothing in this Agreement shall create a partnership,

employment, or agency relationship between Franchisor and Franchisee, or authorize Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Franchisee. Franchisor shall not be liable to any third party for any act or omission of Franchisee in any of its operations hereunder (including, without limitation, any claim or action against Franchisee for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Franchisee. Franchisee shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Franchisee's operation of the Franchised Business (excluding, however, liabilities caused by (i) Franchisee's improper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them. FRANCHISEE SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY FRANCHISEE.

## **XXII. MISCELLANEOUS**

### **A. Nature of Agreement**

This Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties except those disclosures which are included in the Franchisor's now current Franchise Disclosure Document. 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 may not be modified or amended except by a written instrument signed by each of the parties hereto, expressing such amendment or modification. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

### **B. Benefit**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns. This Agreement shall not be assigned by Franchisee without the prior written consent of Franchisor.

### **C. Construction**

This Agreement was accepted by Franchisor in Tennessee. Except to the extent governed by the U.S. Trademark Act of 1946, this Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee; provided, however, that if any of the covenants contained in this Agreement would not be enforceable under the laws of Tennessee and the Franchised Business is located outside of Tennessee, then such covenants shall be

interpreted and construed under the laws of the state in which the Franchised Business is located. Tennessee law shall prevail in the event of any conflict of law, except as specifically provided otherwise by any applicable state franchise investment laws, rules, or regulations. If any provision of this Agreement relating to termination, nonrenewal or assignment of the franchise, or choice of law, jurisdiction or venue is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing the salient provision of such state's law is hereby made a part hereof.

#### **D. Jurisdiction and Venue**

Franchisee hereby irrevocably agrees that subject to Franchisor's sole and absolute election, any and all suits, actions, or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Knox County, Tennessee. Franchisee hereby consents and agrees that the following courts shall have personal jurisdiction over Franchisee in all lawsuits relating to or arising out of this Agreement, and hereby submits to the jurisdiction of the following courts and irrevocably waives any defense Franchisee may have or lack of personal jurisdiction in any such lawsuits filed in these courts: (a) all courts included within the state court system of the State of Tennessee; and (b) all courts of the United States of America sitting within the State of Tennessee, including, without limitation, all United States District Courts within the State of Tennessee. Franchisee hereby consents and agrees that venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and hereby irrevocably waives any right Franchisee may have to transfer or change the venue in any such lawsuits filed in these courts: (a) the state court of the county where Franchisor has its principal place of business. In the event any of these courts are abolished, Franchisee agrees that venue shall be proper in the state or federal court in Tennessee that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not so abolished. Any and all lawsuits filed by Franchisee against Franchisor (whether in breach of the arbitration provisions of this Agreement or not) relating to or arising out of this Agreement shall be required to be filed in one of these courts. Any and all lawsuits filed by Franchisor against Franchisee may be filed in any of these courts or in any court in which jurisdiction and venue are proper. In all lawsuits relating to or arising out of this Agreement, Franchisee consents and agrees that Franchisee may be served with process outside the State of Tennessee in the same manner of service that may be made within the State of Tennessee by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Franchisee hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

#### **E. Headings**

The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

## F. Notices

All payments shall be made to, and all notices, requests, demands and other communications hereunder shall be deemed to have been duly received by, the person to whom addressed when personally delivered or forty-eight (48) hours after deposit in the United States mail, postage prepaid, addressed:

in the case of Franchisor: **Real Hot Yoga Franchise, LLC**  
**8023 Kingston Pk., Ste 5, Knoxville, TN 37919**

or to such other persons or address as Franchisor may from time to time furnish to Franchisee;

in the case of Franchisee: \_\_\_\_\_ at the address  
is:

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

## G. Severability

In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement, such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement that is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it was separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability,

and shall be enforced as originally made and entered into in all other jurisdictions.

### H. Survival of Covenants

All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise granted hereunder.

### I. No Third-Party Beneficiaries

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity, not a party hereto.

### J. Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

<b>FRANCHISOR: REAL HOT YOGA FRANCHISE, LLC</b>	<b>FRANCHISEE:</b>
---	--------------------

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

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

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

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

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

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

<b>INDIVIDUAL FRANCHISEE:</b>	<b>INDIVIDUAL FRANCHISEE:</b>
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\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
**Print  
Name**

\_\_\_\_\_  
**Print  
Name**

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

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



**EXHIBIT 1. IDENTIFICATION OF FRANCHISEE  
TO THE REAL HOT YOGA FRANCHISE AGREEMENT**

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**INDIVIDUAL FRANCHISEE**

Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_  
Home Address (P.O. Box not acceptable): \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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**NON-INDIVIDUAL FRANCHISEE**

*Check One:*     Corporation     Limited Liability Company     Partnership

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
Telephone: \_\_\_\_\_ EIN: \_\_\_\_\_  
Date of Organization: \_\_\_\_\_ State of Organization: \_\_\_\_\_  
Statutory/Registered Agent: \_\_\_\_\_  
Address of Agent: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
Officers \_\_\_\_\_  
President: \_\_\_\_\_ Vice President: \_\_\_\_\_  
Treasurer: \_\_\_\_\_ Secretary: \_\_\_\_\_

**Shareholders/Members/Partners**

Name: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_  
Home Address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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Name: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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Name: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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Name: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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Name: \_\_\_\_\_ Percentage of Ownership: \_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Home Telephone: \_\_\_\_\_ SSN: \_\_\_\_\_

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The undersigned individual Franchisee, or if Franchisee is other than an individual, each of the Principals of Franchisee, hereby certify that the foregoing information is accurate and complete to the best of their knowledge and agree to notify Franchisor promptly of any change in any such information during the term of the Franchise Agreement to which this Exhibit 1 is attached.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

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

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

**EXHIBIT 2. SITE AND TERRITORY**

**TO THE REAL HOT YOGA FRANCHISE AGREEMENT**

1. The Site for the Franchised Business shall be:

\_\_\_\_\_

2. The Territory referenced in the Franchise Agreement shall consist of the following geographical area in the State of \_\_\_\_\_:

\_\_\_\_\_

\_\_\_\_\_

3. Franchisor and Franchisee further agree that this Exhibit shall be attached to, incorporated in, and made a part of said Franchise Agreement between Franchisor and Franchisee.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement or caused this Agreement to be executed by their duly authorized agents, as of the date first written above.

**FRANCHISOR: REAL HOT YOGA FRANCHISE, LLC** **FRANCHISEE:**

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

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

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

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

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

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

**INDIVIDUAL FRANCHISEE:** **INDIVIDUAL FRANCHISEE:**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

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

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

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

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

**EXHIBIT 3. AUTHORIZATION FOR ELECTRONIC TRANSFER OF FUNDS  
TO THE REAL HOT YOGA FRANCHISE AGREEMENT**

The undersigned depositor (DEPOSITOR) hereby authorizes Real Hot Yoga Franchise, LLC (PAYEE), to initiate debit entries and/or credit correction entries to the DEPOSITOR's checking account designated below and authorizes the financial institution designated below (BANK) to debit such account pursuant to PAYEE's instructions.

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Name of Financial Institution Branch

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Address of Financial Institution City State ZIP Code

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Account Number Bank Transit/Routing Number

This authority will remain in effect until the BANK receives a written cancellation notification from DEPOSITOR in such time as to afford BANK a reasonable opportunity to act on it. DEPOSITOR may stop payment of any entry by notifying BANK at least three (3) business days before the entry is charged to DEPOSITOR'S account. DEPOSITOR may have the amount of any erroneous entry immediately credited to DEPOSITOR'S account by notifying BANK within fifteen (15) calendar days after BANK issues DEPOSITOR'S account statement containing the erroneous entry or forty-five (45) days after posting, whichever occurs first. These rights are in addition to any rights DEPOSITOR may have under federal and state banking or consumer protection laws.

Name of DEPOSITOR: \_\_\_\_\_

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

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

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

**EXHIBIT 4. SITE SELECTION ADDENDUM**  
**TO THE REAL HOT YOGA FRANCHISE AGREEMENT**

Concurrently herewith, Real Hot Yoga Franchise, LLC (**Franchisor**) and \_\_\_\_\_ (**Franchisee**) have entered into a(n) Real Hot Yoga Franchised Business Franchise Agreement (the **Franchise Agreement**) and desire to supplement its terms, as set out in this Site Selection Addendum (the **Addendum**). The parties hereto, therefore, agree as follows:

- 1.** Within 90 days after execution of the Franchise Agreement (the **Site Selection Period**), Franchisee shall acquire or lease, at Franchisee's expense, a location for the Real Hot Yoga Franchised Business franchised under the Franchise Agreement (the **Franchised Business**) at a site approved by Franchisor as hereinafter provided. Such location shall be within the following area: \_\_\_\_\_ (the **Site Selection Territory**). The Site Selection Territory is described solely for the purpose of selecting a site for the Franchised Business.
- 2.** Franchisor shall not establish, nor license another to establish, a Real Hot Yoga Franchised Business within the Site Selection Territory until Franchisor approves of a location for the Franchised Business, or until the expiration of the Site Selection Period, whichever event occurs first.
- 3.** Failure by Franchisee to acquire or lease a site for the Franchised Business within the Site Selection Period shall constitute a default of the Franchise Agreement and this Site Selection Addendum.
- 4.** If Franchisee occupies the Site of the Franchised Business under a lease or sublease, Franchisee shall, prior to the execution thereof, submit such lease to Franchisor for its written approval. Franchisor's approval of the lease or sublease may be conditioned upon the inclusion of such provisions as Franchisor may reasonably require, including, without limitation:
  - (a)** A provision which restricts the use of the Site solely to the operation of the Franchised Business;
  - (b)** The lessor will consent to Franchisee's use of such Marks and signage as Franchisor may prescribe for the Franchised Business;
  - (c)** A provision that in the event Franchisee fails to timely pay any and all amounts due to Franchisor or lessor under the lease or sublease, Franchisor has the right to charge and collect from Franchisee, all resulting costs and expenses incurred by, and penalties imposed on, Franchisor;
  - (d)** A provision which prohibits Franchisee from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease, without Franchisor's prior written consent;

**(e)** A provision giving Franchisor the right, but not the obligation, to enter the Site or make modifications necessary to protect the Marks or the System or to cure any default under the Franchise Agreement;

**(f)** A provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest, with the right to sublease, upon termination or expiration of such lease or of the Franchise Agreement without any assessment of additional fees, penalties, or rent acceleration;

**(g)** A provision that the lessor will provide to Franchisor copies of any and all notices (including those related to default by Franchisee) given to Franchisee under the lease; and

**(h)** A provision that restricts the lease from being modified in a manner that could materially affect Franchisor's rights with respect to the lease, without Franchisor's prior written consent.

**5.** Within sixty (60) days after the execution of the Franchise Agreement, Franchisee shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package, which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, or other evidence satisfactory to Franchisor which describes Franchisee's favorable prospects for obtaining such site, photographs of the site, demographic statistics, and such other information or materials as Franchisor may reasonably require (collectively, the **SAP**). Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of the SAP from Franchisee to approve or disapprove, in its sole discretion, the proposed site for the Franchised Business. In the event Franchisor does not approve a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed disapproved by Franchisor.

**6.** Franchisor shall furnish to Franchisee the following:

**(a)** For your Site we provide building specifications for your real property space; we review your design plans, and you must retain a licensed architect;

**(b)** Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's requests for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a completed SAP for such site prepared by Franchisee pursuant to Section 5 above. If on-site evaluation is deemed necessary and appropriate by Franchisor, Franchisor shall, at no charge to Franchisee, conduct: (a) up to two (2) on-site evaluations, if the Franchised Business is the first Real Hot Yoga Franchised Business to be developed by Franchisee, or (b) one (1) on-site evaluation if Franchisee has opened a Real Hot Yoga Franchised Business prior to the Franchised Business. For any additional on-site evaluation, Franchisee shall reimburse Franchisor for Franchisor's reasonable expenses, including, without limitation, the costs of travel, lodging, wages, and meals.

**(c)** After the location for the Franchised Business is approved by Franchisor and leased or acquired by Franchisee hereof, the location shall constitute the Site described in the Franchise Agreement. Franchisee hereby acknowledges and agrees that approval by Franchisor

of a site does not constitute a representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with minimum acceptable criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and Site may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographics and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

**7.** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and affirmed.

**8.** IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Site Selection Addendum on the dates set forth below.

**FRANCHISOR: REAL HOT YOGA  
FRANCHISE, LLC**

**FRANCHISEE:**

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

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

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

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

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

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

**INDIVIDUAL FRANCHISEE:**

**INDIVIDUAL FRANCHISEE:**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
**Print  
Name**

\_\_\_\_\_  
**Print  
Name**

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

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

**EXHIBIT 5. RIDER TO FRANCHISE PREMISES LEASE AGREEMENT  
TO THE REAL HOT YOGA FRANCHISE AGREEMENT**

THIS RIDER has been entered this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_. It is by and between \_\_\_\_\_, ("Landlord") and \_\_\_\_\_ (jointly and severally "Tenant").

**RECITALS**

On or about \_\_\_\_\_, 20\_\_\_\_, Landlord and Tenant executed a lease agreement (the "Lease Agreement") by which Tenant leased from Landlord real property for Tenant's operations of a Real Hot Yoga franchised Business at the following location: \_\_\_\_\_ (the "Franchise Premises").

On or about \_\_\_\_\_, 20\_\_\_\_, Tenant and Real Hot Yoga Franchise, LLC (the "Franchisor") executed a franchise agreement (the "Franchise Agreement") for Tenant to operate a Real Hot Yoga franchised Business at the Franchise Premises.

Landlord and Tenant desire to execute this addendum to the Lease Agreement to give Franchisor certain rights to the Franchise Premises as required by the Franchise Agreement.

THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties agree as follows:

1. Landlord Reports and Disclosures to Franchisor. Tenant acknowledges and agrees that Landlord may, upon Franchisor's written request, disclose to Franchisor all reports, information, or data in Landlord's possession respecting sales made in, upon, or from the Franchise Premises and Tenant's business operations.
2. Assignment to Franchisor. Anything contained in the Lease Agreement to the contrary notwithstanding, Landlord agrees that without Landlord's consent, the Lease Agreement and Tenant's right, title, and interest, may be assigned by Tenant to Franchisor, without cost or penalty. Landlord grants to Franchisor the right, at Franchisor's election, to receive an assignment of the Lease Agreement and the leasehold interest in the Franchise Premises, upon termination or expiration of Tenant's Franchise Agreement.
3. Tenant's Default; Notice to Franchisor. Landlord will give written notice to franchisor (concurrently with the giving of notice to Tenant) of any breach by Tenant of the Lease Agreement. Franchisor will have the right (but not obligation), in Franchisor's sole discretion, to cure any breach at Tenant's expense within 15 business days after the expiration of the period in which Tenant had to cure the default. Notice will be sent to the following address, or to the address Franchisor may, from time to time, specify in writing to Landlord:

Real Hot Yoga Franchise, LLC  
8023 Kingston Pk., Ste 5, Knoxville, TN 37919

4. Franchise Premises De-identification. Upon termination, expiration, or non-renewal of the Lease Agreement, Tenant may de-identify the Franchise Premises. If Tenant fails to

do so, Landlord gives Franchisor the express right to de-identify. De-identification consists of removal of all signs; modification or remodeling of all identifying architectural features; repainting as necessary to no longer use the color scheme used by Franchisor, and any other steps necessary (in Franchisor's reasonable discretion) to effectively distinguish the Franchise Premises from Franchisor's proprietary designs and marks. Landlord waives and releases any security or any other interest in or to any furniture, fixtures, equipment, inventory, supplies, or any other items or materials which bear Franchisor's proprietary designs and marks or otherwise designate or are specific to the Real Hot Yoga Brand.

IN WITNESS, the parties have executed this Rider on the day and year first above written.

("Landlord"):

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

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

("Tenant"):

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

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

Real Hot Yoga Franchise, LLC

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

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



# real hot yoga

EXHIBIT B. AREA DEVELOPMENT AGREEMENT

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

**AREA DEVELOPMENT AGREEMENT**

**BETWEEN**

**REAL HOT YOGA FRANCHISE, LLC**

**FRANCHISOR**

**AND**

-----  
**DEVELOPER**

-----  
**Location (Common Territory Name)**

-----  
**DATED**

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**Exhibits**

- EXHIBIT 1. DEVELOPMENT AREA
EXHIBIT 2. DEVELOPMENT SCHEDULE

**REAL HOT YOGA**

**AREA DEVELOPMENT AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Effective Date”) by and between Real Hot Yoga Franchise, LLC, a Tennessee Limited Liability Company (“Franchisor”), and \_\_\_\_\_, an individual/partnership/corporation/limited liability company \_\_\_\_\_ established/resident of the State of \_\_\_\_\_ and whose principal address is \_\_\_\_\_ (“Developer”).

**RECITALS**

- A. Franchisor has developed and is in the process of further developing, a format and system consisting of uniform standards, methods, procedures, and specifications for the operation of Real Hot Yoga (the “System”) identified by the service marks “Real Hot Yoga” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used (collectively, the “Marks”) in connection with, and relating to, the establishment and operation of a business offering A Real Hot Yoga franchised business offers the ultimate hot yoga experience by providing students with a state-of-the-art facility in a warm, welcoming, and supportive environment (each, a “Franchised Business”);

- B. Franchisor and Developer desire to enter into an area development agreement under which Developer shall obtain the exclusive right to establish and operate a specified number of Franchised Businesses within a specified geographical area upon the terms and conditions contained in Franchisor's then-current standard franchise agreement (each, a "Franchise Agreement"); and
- C. Developer and Franchisor have entered into that certain Franchise Agreement (the "Initial Franchise Agreement") dated the same date as this Agreement for the establishment and operation of the first Franchised Businesses to be developed under this Agreement.

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

## **I. GRANT OF DEVELOPMENT RIGHTS AND DEVELOPMENT AREA**

Subject to the terms and conditions of this Agreement, Franchisor hereby grants to Developer the right, and Developer undertakes the obligation, to establish and operate in the area designated in Exhibit 1 of this Agreement (the "Development Area") the number of Franchised Businesses specified in the development schedule on Exhibit 2 (the "Development Schedule"). This Agreement does not grant Developer any right to use the Marks; the rights to use the Marks are granted only by Franchise Agreements.

## **II. FEES**

The total amount of the Development Fee is listed in Exhibit 2 (the "**Development Fee**"). The Development Fee will be applied toward the initial franchise fee due under subsequent Franchise Agreements in the manner specified in Exhibit 2. Developer will pay the balance of the initial franchise fee as so stipulated and due under the then Current Franchise Agreement for each Franchised Business at the time the Franchise Agreement for each Franchised Business is executed. The Development Fee will not be refundable, notwithstanding anything to the contrary in this Agreement or any Franchise Agreement.

## **III. DEVELOPMENT SCHEDULE**

Developer must enter into Franchise Agreements and open and operate Real Hot Yoga Franchised Business in accordance with the deadlines set forth in the Development Schedule. By each "**Fee Deadline**" specified in the Development Schedule, Developer must have delivered

to Franchisor an initial franchise fee and a signed copy of Franchisor's then-current standard form of Franchise Agreement for the number of Real Hot Yoga Franchised Businesses specified on the Development Schedule. By each "**Opening Deadline**" specified in the Development Schedule, Developer must have the specified number of Real Hot Yoga Franchised Businesses open and operating. Developer must locate the Real Hot Yoga Franchised Businesses only at sites that Franchisor has accepted in accordance with the terms of the applicable Franchise Agreement.

## **IV. DEVELOPMENT AREA**

### **A. Exclusivity**

While this Agreement is in effect, provided that Developer opens and operates Real Hot Yoga Franchised Businesses in accordance with the Development Schedule, and the minimum number of Franchised Business that Developer has open and is operating in the Development Area at any given time is not less than the minimum required pursuant to the Development Schedule, Franchisor will not operate, or license any person or entity other than Developer to operate a Real Hot Yoga Franchised Business under the Marks and the System within the Development Area.

### **B. No Other Restrictions**

Developer acknowledges that, except to the extent expressly provided herein, Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

1. establish, and license others to establish, Real Hot Yoga Franchised Businesses at any location outside of the Development Area;
2. establish, and license others to establish, businesses [other than a Competitive Business (as defined below)] under other systems using other proprietary marks at such locations, including within the Development Area, and on such terms and conditions as Franchisor deems appropriate;
3. purchase or otherwise acquire the assets or controlling ownership of, and thereafter continue to own and operate, one or more businesses identical or similar to the Real Hot Yoga Franchised Businesses (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere, including within the Development Area that does not use the Marks;
4. acquire (regardless of the form of the transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Development Area;

5. sell the services and products authorized for Franchised Business using the Marks or other trademarks, service marks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies, direct mail, catalog sales, internet sites, and co-branding strategies, pursuant to such terms and conditions as Franchisor deems appropriate; and
6. own, acquire, establish and operate, and license others to establish and operate, businesses like the Franchised Business or substantially similar to the Franchised Business, whether under the Marks or other proprietary marks in any temporary or permanent venue where there is a captive audience and where the primary purpose is other than patronizing a Real Hot Yoga business (referred herein as a “Special Venue”), in the way of examples, but not an exhaustive list: malls, entertainment, and sports centers, military bases, transportation facilities, supermarkets, service stations, and carnivals within the Development Area or outside of the Territory.
7. contract with a client whose offices, stores, plants, buildings, or other physical facilities are not confined to the territory of a single Real Hot Yoga territory or the trading area of a single Franchise, Franchisor-owned or Affiliate-owned business (referred to herein “Special Accounts”). If Franchisor establishes a contract for facilities of a Special Account located in the Development Area, Franchisor, its affiliates, or a Developer or licensee may fulfill the contract requirements to the Special Account in the Development Area.
8. engage in any activities not expressly forbidden by this Agreement.

## **V. Competitive Business**

For purposes of this Agreement, “**Competitive Business**” means any business that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), directly or indirectly, yoga or similar services as are customarily offered by a Franchised Business, or in which trade secrets or other confidential information could be used to the disadvantage of Franchisor or its other Developers.

## **VI. Term**

This Agreement expires at midnight on the last Opening Deadline date listed on the Development Schedule unless this Agreement is terminated sooner as provided in this Agreement.

## **VII. Termination**

### **C. Events of Default**

Any one or more of the following constitutes an “**Event of Default**” hereunder:

1. Developer fails to pay any initial franchise fee or execute any Franchise Agreement by any Fee Deadline specified in the Development Schedule;
2. Developer fails to have opened and maintained in continuous operation the minimum number of Real Hot Yoga Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule;
3. A default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or
4. Developer breaches or otherwise fails to comply fully with any other provision contained in this Agreement herein or any other agreement between the Franchisor and/or its Affiliates.

#### **D. Remedies**

If any Event of Default occurs, Franchisor may declare this Agreement and any and all other rights granted to Developer under this Agreement to be immediately terminated and of no further force or effect, as follows:

1. Upon termination of an Event of Default listed herein, Franchisor’s sole remedies under this Agreement will be retention of the Development Fee and termination of this Agreement. A failure to open and thereafter operate Real Hot Yoga Franchised Businesses in accordance with the Development Schedule will not, in itself, constitute cause for Franchisor to terminate any previously executed Franchise Agreement.
2. Upon termination of this Agreement for any other reason whatsoever, Franchisor shall be entitled to retain the Development Fee, and Developer will not be relieved of any of its obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. The right of termination granted by this Agreement is in addition to, and not in lieu of, any and all other rights and remedies available to Franchisor at law, in equity, or otherwise, including without limitation the right to injunctive relief, all of which are cumulative.

### **VIII. Assignment**

#### **A. By Franchisor**

This Agreement is fully assignable by Franchisor and will inure to the benefit of any assignee or another legal successor to Franchisor’s interest.

## **B. By Developer**

This Agreement and the rights granted to Developer under this Agreement are personal to Developer and neither this Agreement, nor any of the rights granted to Developer hereunder nor any controlling equity interest in Developer, may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by Developer without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor, shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may terminate this Agreement without the opportunity to cure. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Developer or in this Franchise; provided, however, that prior to the transfer, Franchisor may, in its sole discretion, require that:

1. All of Developer's accrued monetary obligations to Franchisor and all other outstanding obligations related to the Franchised Businesses under this Agreement shall have been satisfied.
2. The transferee Developer shall enter into a written assumption, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of the Developer's obligations under this Agreement prior to and after the date of the assumption.
3. The transferee developer shall demonstrate to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation, and credit rating; has the aptitude and ability to conduct the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital as required by this Agreement.
4. Any right of Developer to any payments from the transferee developer resulting from the transfer shall be subordinate to any claim or right of Franchisor against the transferee developer subsequent to the effective date of the transfer, and Developer and the transferee developer shall execute any and all instruments reasonably required by Franchisor to evidence such liability.
5. Either Developer or the transferee Developer shall pay Franchisor a transfer fee of \$25,000.

## **C. Franchisor's First Right of Refusal**

If (i) Developer would like to accept a bona fide offer from a third party to purchase its interest in this Agreement, (ii) any of its legal or equitable owners (each, an "Owner"; who are all listed on Exhibit 2 hereto) desires to accept an offer from a third party to purchase all or a portion of their equity interests in Developer

that would result in the transfer of control of Developer (as Franchisor determines), or (iii) if Developer or such Owners desire to sell such interests and have found a willing buyer of such interests; Developer or such Owners will (a) notify Franchisor in writing of such offer, (b) offer to sell the same interests to Franchisor upon the same terms and conditions, and (c) provide such information and documentation relating to such offer as Franchisor requires. Franchisor has the right, exercisable within 30 days after receipt of such offer, information, and documentation, to send written notice to Developer (or the applicable owner(s)) that Franchisor intends to purchase the offered interests on the same economic terms and conditions offered by or to the third party or, at Franchisor's option, the cash equivalent thereof. If Franchisor elects to purchase such interests, the closing will occur within 90 days after the date of the Franchisor's notice to the seller electing to purchase the interest. If Franchisor does not elect to purchase such interest within the 30-day period, Developer or such Owners may sell or transfer their offered interests to a third party; provided that such sale or transfer: (i) is made within 90 days after Franchisor gives notice of its election, (ii) is made at a price and on the same material terms as those offered to Franchisor, and (iii) is made in full compliance with all applicable requirements of this Agreement.

The right of first refusal set forth herein will not be applicable to assignments, transfers, or sales of Developer's interest in this Agreement or any equity interest in Developer, made to Developer or if Developer is an Entity, any of its Owner's spouse or child or any other existing Owners, provided that the applicable requirements of each Franchise Agreement and this Agreement are complied with fully.

## **IX. Developer's Covenant Not to Compete**

### **A. Covenants during the Term of Franchise Agreement**

Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the design, development, and operation of the Franchised Business, procedures and techniques of the Real Hot Yoga Method, and sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself or through, on behalf of, or in conjunction with, any person, persons, partnership, or corporation:

- 1.** divert or attempt to divert any business or client of the Franchised Business or of any other Developer of Franchisor to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or
- 2.** own, maintain, engage in, or have any interest in any business offering yoga, or any other products or services that are offered in the Franchised Business unless otherwise consented to in writing by Franchisor.

## **B. Covenants after Termination of Franchise Agreement**

Developer further covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, directly or indirectly, for itself or through, on behalf of, or in conjunction with any person, persons, partnership or corporation:

- 1.** for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, own, maintain, operate, engage in, or have any interest in any business offering yoga, or any other services that had been offered by the Franchised Business, within twenty-five (25) miles of any Real Hot Yoga Franchised Business; or
- 2.** for a continuous and uninterrupted period commencing upon the expiration or termination of this Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly solicit or perform services for any person who was a client of the Franchised Business at any time during the term of this Agreement.
- 3.** Developer and Franchisor agree that the covenants contained in this Section B shall survive the expiration, termination, or cancellation of this Agreement.

## **C. Exclusion for Publicly Traded Company**

Developer's Covenant not to Compete in this Section shall not apply to the beneficial ownership by Developer of less than five percent (5%) of the outstanding equity securities of any corporation that is registered under the Securities and Exchange Act of 1934.

## **D. Severability**

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

## **E. Execution of Covenants by Key Personnel**

At the request of Franchisor, Developer shall provide Franchisor with executed Restrictive Covenant Agreements, containing covenants similar in substance to those set forth in this Section (including covenants applicable upon the termination of a person's relationship with Developer), from each manager, officer, director, and Principal of Developer. With respect to each person who becomes associated with Developer in one of the capacities enumerated above

subsequent to the execution of this Agreement, Developer shall require and obtain such covenants from them and promptly provide Franchisor with executed copies thereof. In no event shall any person enumerated above be granted access to any confidential aspect of the System or the Franchised Business prior to their execution of such a covenant. All covenants required by this Section shall be in a form satisfactory to Franchisor, including, without limitation, the specific identification of Franchisor as a third-party beneficiary of such covenants with the independent right to enforce them. The failure by Developer to obtain the execution of the covenants required by this Section and provide the same to Franchisor shall constitute a material breach of this Agreement.

## **X. Miscellaneous**

### **A. Independent Contractor and Indemnification**

It is understood and agreed that nothing in this Agreement shall create a partnership, employment, or agency relationship between Franchisor and Developer, or authorize Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf or to incur any debt or other obligation in Franchisor's name. Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action by Developer. Franchisor shall not be liable to any third party for any act or omission of Developer in any of its operations hereunder (including, without limitation, any claim or action against Developer for negligent hiring, sexual harassment, or employment discrimination) or any claim or judgment arising therefore against Developer. Developer shall indemnify and hold Franchisor harmless from and against any and all claims, debts, liabilities or obligations arising directly or indirectly from, as a result of or in connection with Developer's operation of the Franchised Business (excluding, however, liabilities caused by (i) Developer's improper reliance on or use of procedures or materials provided by Franchisor or (ii) Franchisor's negligence), and shall pay all costs (including, without limitation, attorney and accountant fees) incurred by Franchisor in defending against and/or responding to them. DEVELOPER SHALL DISPLAY PROMINENTLY AT ITS PLACE OF BUSINESS, ON ALL CORRESPONDENCE WITH THIRD PARTIES, AND IN ANY PRINTED MATERIALS BEARING ITS NAME OR BUSINESS LOCATION, A STATEMENT THAT THE FRANCHISED BUSINESS IS INDEPENDENTLY OWNED AND OPERATED BY DEVELOPER.

### **B. Nature of Agreement**

This Agreement, together with the exhibits attached hereto, constitutes the entire Agreement between the parties hereto and supersedes any prior agreements between such parties. 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 may not be modified or amended except by a written instrument signed by each of the parties hereto, expressing such amendment or modification. No failure on the part of any party hereto to exercise, and no delay in exercising, any right, power or remedy hereunder shall

operate as a waiver thereof; nor shall any single or partial exercise of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

### **C. Benefit**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns. This Agreement shall not be assigned by Developer without the prior written consent of Franchisor.

### **D. Construction**

This Agreement was accepted by Franchisor in Tennessee. Except to the extent governed by the U.S. Trademark Act of 1946, this Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee; provided, however, that if any of the covenants contained in this Agreement would not be enforceable under the laws of Tennessee and the Franchised Business is located outside of Tennessee, then such covenants shall be interpreted and construed under the laws of the state in which the Franchised Business is located. Tennessee law shall prevail in the event of any conflict of law, except as specifically provided otherwise by any applicable state franchise investment laws, rules, or regulations. If any provision of this Agreement relating to termination, nonrenewal or assignment of the franchise, or choice of law, jurisdiction or venue is inconsistent with any applicable state franchise investment law, rules or regulations, such applicable state law shall apply. Any addendum to this Agreement required by the regulatory authorities of any state for the purpose of disclosing the salient provision of such state's law is hereby made a part hereof.

### **E. Jurisdiction and Venue**

Developer hereby irrevocably agrees that subject to Franchisor's sole and absolute election, any and all suits, actions, or other proceedings with respect to, arising out of or in connection with this Agreement shall be litigated in courts having a situs within Knox County, Tennessee. Developer hereby consents and agrees that the following courts shall have personal jurisdiction over Developer in all lawsuits relating to or arising out of this Agreement, and hereby submits to the jurisdiction of the following courts and irrevocably waives any defense Developer may have or lack of personal jurisdiction in any such lawsuits filed in these courts: (a) all courts included within the state court system of the State of Tennessee; and (b) all courts of the United States of America sitting within the State of Tennessee, including, without limitation, all United States District Courts within the State of Tennessee. Developer hereby consents and agrees that venue shall be proper in any of the following courts in all lawsuits relating to or arising out of this Agreement and hereby irrevocably waives any right Developer may have to transfer or change the venue in any such lawsuits filed in these courts: (a) the state court of the county where Franchisor has its principal place of business. In the event any of these courts are

abolished, Developer agrees that venue shall be proper in the state or federal court in Tennessee that most closely approximates the subject matter jurisdiction of the abolished court as well as any of these courts that are not so abolished. Any and all lawsuits filed by Developer against Franchisor (whether in breach of the arbitration provisions of this Agreement or not) relating to or arising out of this Agreement shall be required to be filed in one of these courts. Any and all lawsuits filed by Franchisor against Developer may be filed in any of these courts or in any court in which jurisdiction and venue are proper. In all lawsuits relating to or arising out of this Agreement, Developer consents and agrees that Developer may be served with process outside the State of Tennessee in the same manner of service that may be made within the State of Tennessee by any person authorized to make service by the laws of the state, territory, possession or country in which service is made or by any duly qualified attorney in such jurisdiction. Developer hereby waives any defense it may have of insufficiency of service of process relating to such service. This method of service shall not be the exclusive method of service available in such lawsuits and shall be available in addition to any other method of service allowed by law.

## **F. Headings**

The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of any provision of this Agreement.

## **G. Notices**

All payments shall be made to, and all notices, requests, demands and other communications hereunder shall be deemed to have been duly received by, the person to whom addressed when personally delivered or forty-eight (48) hours after deposit in the United States mail, postage prepaid, addressed:

In the case of Franchisor: Real Hot Yoga Franchise, LLC 8023 Kingston Pk., Ste 5, Knoxville, TN 37919 or to such other persons or address as Franchisor may from time to time designate

in the case of Developer: \_\_\_\_\_ at:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## **H. Severability.**

In the event that any provision of this Agreement, in whole or in part (or the application of any provision to a specific situation), shall be held, by the final judgment of a court of competent jurisdiction after appeal or the time for appeal has expired, to be invalid, unenforceable or in violation of any federal, state or local law, regulation or ordinance applicable to this Agreement, such invalidity shall be limited to such specific provision or portion thereof (or to such situation), and this Agreement shall be construed and applied in such manner as to minimize such invalidity. All other provisions of this Agreement shall otherwise remain in full force and effect.

If any applicable and binding law or regulation of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement that is required hereunder, or the taking of some other action not required hereunder, or if under any applicable and binding law or regulation of any jurisdiction any provision of this Agreement or any specification, standard, or operating procedure prescribed by Franchisor is invalid or unenforceable, then the prior notice and/or other action required by such law or regulation shall be substituted for the comparable provisions hereof, and Franchisor shall have the unlimited right to modify such invalid or unenforceable provision, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law that is subsumed within the terms of any provision hereof, as though it was separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or from any specification, standard, or operating procedure prescribed by Franchisor, any portion or portions that a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Any such modifications to this Agreement shall be effective only in such jurisdiction, unless Franchisor elects to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

## **I. Survival of Covenants**

All provisions of this Agreement which, by their terms, are intended to survive the termination or expiration of this Agreement (such as, by way of illustration and not limitation, the provisions relating to confidential information, indemnification, post-termination competition, and the Marks), and all provisions hereof necessary to enforce and interpret such provisions (such as, by way of illustration and not limitation, the provisions relating to arbitration and injunctive relief), shall survive the termination, expiration or cancellation of this Agreement or the franchise granted hereunder.

## **J. No Third-Party Beneficiaries**

Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or entity, not a party hereto.

## **K. Counterparts.**

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

# **XI. ENFORCEMENT**

## **A. Injunctive Relief**

Franchisor shall be entitled, without bond, to the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to (a) Developer's use of the Marks; (b) the obligations of Developer upon the termination or expiration of this Agreement; (c) Covenants of Developer; (d) any assignment or transfer of this Agreement or any ownership interest contrary to this Agreement; or (e) as necessary to prohibit any act or omission by Developer or its employees or agents: (i) that would constitute a violation of any applicable law, ordinance, or regulation; (ii) that is dishonest or misleading to Franchisor and/or Franchisor's other Developers; or (iii) that, in Franchisor's reasonable judgment, may harm, tarnish, impair or reflect unfavorably upon the reputation, name, services or operation of the Franchised Business, Franchisor, the System or the Marks.

## **B. Arbitration**

Except as otherwise provided herein, any claim or controversy arising out of or related to this Agreement, or the breach thereof, shall be settled by mandatory binding arbitration in Knox County, Tennessee, in accordance with the U.S. Arbitration Act, if applicable, and the Rules of the American Arbitration Association (in accordance with the rules relating to the arbitration of disputes arising from franchise and license agreements, if any, or otherwise in accordance with the general rules of commercial arbitration), provided that at the option of Franchisor or Franchisee the arbitrator shall be selected from a list of retired federal or state judges supplied by the American Arbitration Association (if obtainable, or otherwise in accordance with the customary procedures for selecting an arbitrator). The arbitrator shall allow discovery in accordance with the Federal Rules of Civil Procedure and may apply the sanctions relating to noncompliance with discovery orders therein provided. The arbitrator shall issue a written opinion explaining the reasons for his or her decision and award, and the Arbitrator shall have the right to award or include in the award the specific performance of this Agreement. Judgment upon the award of the arbitrator will be entered in any court having competent jurisdiction

thereof or of the Franchisor or Franchisee. During the pendency of any arbitration proceeding hereunder, Franchisee and Franchisor shall fully perform their respective obligations pursuant to the terms and conditions of this Agreement. All arbitration proceedings will be individual proceedings between Franchisor and Franchisee and will not be conducted on a "class" basis or include any other of our franchisees as named parties unless Franchisor and Franchisee each agree. The arbitration proceedings shall take place in Knox County, Tennessee, or the county of the state where the Franchisor is then headquartered.

### **C. Jury and Special Damages**

DEVELOPER AND FRANCHISOR EACH WAIVE, TO THE FULLEST EXTENT, PERMITTED BY LAW, ANY RIGHT OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IF THERE IS A DISPUTE WITH THE OTHER, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED. DEVELOPER WAIVES AND DISCLAIMS ANY RIGHT TO CONSEQUENTIAL DAMAGES IN ANY ACTION OR CLAIM AGAINST FRANCHISOR CONCERNING THIS AGREEMENT OR ANY RELATED AGREEMENT. IN ANY CLAIM OR ACTION BROUGHT BY DEVELOPER AGAINST FRANCHISOR CONCERNING THIS AGREEMENT, DEVELOPER'S CONTRACT DAMAGES SHALL NOT EXCEED AND SHALL BE LIMITED TO REFUND OF DEVELOPER'S FRANCHISE FEE PAYMENTS.

DEVELOPER AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement as of the Effective Date.

FRANCHISOR: REAL HOT YOGA FRANCHISE,  
LLC

BUSINESS ORGANIZATION DEVELOPER:

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

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

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

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

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

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

Signature \_\_\_\_\_

Signature \_\_\_\_\_

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

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

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

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

**EXHIBIT 1. DEVELOPMENT AREA  
TO THE AREA DEVELOPMENT AGREEMENT**

The Development Area is as follows:

---

[attach map if necessary]

<b>FRANCHISOR: REAL HOT YOGA FRANCHISE, LLC</b>	<b>BUSINESS ORGANIZATION DEVELOPER:</b>
---	---

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

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

<b><u>INDIVIDUAL DEVELOPER:</u></b>	<b><u>INDIVIDUAL DEVELOPER</u></b>
-------------------------------------	------------------------------------

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Print Name  
Date:  
\_\_\_\_\_

\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Print Name  
Date:  
\_\_\_\_\_

**EXHIBIT 2. DEVELOPMENT SCHEDULE  
TO THE AREA DEVELOPMENT AGREEMENT**

**Fees** The Development Fee is \$ 40,000 per additional franchise. The development fee is payable 1/2 upon signing the Area Developer Agreement and 1/2 upon signing the franchise agreement for the additional territory.

**Development Schedule (Section 3).** Developer agrees to establish and operate a total of \_\_\_\_\_ Real Hot Yoga in accordance with the timetable set forth below. \_\_\_\_\_

The Minimum Number of Real Hot Yoga Franchised Businesses required in Compliance by Each Opening Deadline	Deadline for Executing Franchise Agreement for Each Franchised Business

**Ownership of Developer (Section 7.2(a)):** If the Developer is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the Developer:

<u>Name</u>	<u>Percentage Ownership</u>
-----	-----%

\_\_\_\_\_ %  
\_\_\_\_\_ %  
\_\_\_\_\_ %

**FRANCHISOR: REAL HOT YOGA FRANCHISE,  
LLC**

**BUSINESS ORGANIZATION DEVELOPER:**

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

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

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

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

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

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

**INDIVIDUAL DEVELOPER:**

**INDIVIDUAL DEVELOPER**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

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

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

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

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



# real hot yoga

EXHIBIT C. PERSONAL GUARANTY

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

## PERSONAL GUARANTY

IN CONSIDERATION for, and as an inducement for Real Hot Yoga Franchise, LLC (**Franchisor**) to enter into a Real Hot Yoga franchise agreement and any powers of attorney and other instruments dated concurrently herewith (collectively the **Franchise Documents**) between Franchisor and the business entity identified below (**Franchisee**), the undersigned (**Guarantors**) hereby jointly and severally guarantee to Franchisor, and to Franchisor's successors and assigns: (a) the timely payment of all Royalty Fees, late fees, interest charges, and all other fees and charges provided for under the Franchise Agreement; and (b) the timely performance of all of the provisions of the Franchise Documents for and during the term thereof (including all renewals thereof, if any). Guarantors further specifically agree to be individually bound by all covenants, obligations, and commitments of Franchisee contained in each of the Franchise Documents to the same extent as if each of the Guarantors had individually executed the same as Franchisee.

Guarantors understand and agree that any modification of the Franchise Documents, including any addendum thereto, or waiver by Franchisor of the performance by Franchisee of its obligations thereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of Franchisee thereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Documents, including any addendum thereto, shall not in any way release Guarantors from liability hereunder or terminate, affect or diminish the validity of this Guaranty, except to the same extent, but only to such extent, that the liability or obligation of Franchisee is so released, terminated, affected or diminished. Notice to Guarantors of any such modification, waiver, extension, or forbearance under the terms thereof is hereby waived.

Guarantors hereby waive any and all notice of default on the part of Franchisee; waive exhausting of recourse against Franchisee; and consent to any assignment of the Franchise Documents, in whole or in part, that Franchisor or its assignees may make. Guarantors agree to pay all costs, including reasonable attorneys' fees, incurred by Franchisor to collect or otherwise enforce the terms of this Guaranty. This Guaranty has been delivered in the State of Tennessee and shall be construed and enforced in accordance with the laws thereof. Jurisdiction and venue in any action to enforce this Guaranty shall be in any state or federal court within the State of Tennessee in the judicial district where Franchisor has its principal place of business. Guarantors consent to the exercise of personal jurisdiction by any such court and waive any defense of lack of personal jurisdiction or improper venue.

GUARANTOR: \_\_\_\_\_  
\_\_\_\_\_, Individually

GUARANTOR: \_\_\_\_\_  
\_\_\_\_\_, Individually

FRANCHISEE:  
\_\_\_\_\_

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

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

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



# real hot yoga

EXHIBIT D. RESTRICTIVE COVENANT AGREEMENT

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

## RESTRICTIVE COVENANT AGREEMENT

THIS AGREEMENT, by and between, \_\_\_\_\_  
(**Franchisee**), a [corporation] [partnership] [limited liability company] organized under the laws  
of the State of \_\_\_\_\_, and \_\_\_\_\_  
(**Covenantor**), an individual resident of the State of \_\_\_\_\_,

### WITNESSETH:

WHEREAS, pursuant to that certain Franchise Agreement dated \_\_\_\_\_ (the  
**Franchise Agreement**), Real Hot Yoga Franchise, LLC (**Franchisor**) granted Franchisee a  
franchise to operate a Real Hot Yoga Franchised Business (the **Franchise**), using Franchisor's  
unique franchise system and Franchisor's trade name and service mark Real Hot Yoga and other  
proprietary marks; and

WHEREAS, Covenantor is the owner (or spouse of the owner) of the Franchisee.

WHEREAS, Franchisor has expended substantial amounts of time and money in developing the  
Marks (as hereinafter defined) and Franchisor's distinctive franchise system, including, without  
limitation, unique sales and marketing methods, pricing techniques, promotional materials,  
new product development, financial information, and procedures for the efficient operation of  
a Real Hot Yoga Franchised Business, all of which Covenantor acknowledges to be confidential  
and proprietary information; and

WHEREAS, in connection with the operation of the Franchise, Covenantor will have access to  
such confidential and proprietary information; and

WHEREAS, as a condition precedent to granting the Franchise to Franchisee, all shareholders,  
officers, partners, or members of Franchisee must execute the covenants contained herein;

NOW, THEREFORE, as additional consideration and inducement for granting the Franchise to  
Franchisee, Covenantor hereby agrees and covenants to Franchisee as follows:

**1. Confidentiality.** Covenantor acknowledges the proprietary and confidential nature of  
Franchisor's Operating Manual, which Franchisee has received on loan from Franchisor, unique  
sales and marketing methods, pricing techniques, promotional materials, new product  
development, financial information, client or referral lists, procedures for the efficient  
operation of a Real Hot Yoga Franchised Business, and any other methods, procedures,  
processes, techniques, information, knowledge, or know-how concerning Franchisor's franchise  
system or Franchisee's Franchise, in particular, that may not be commonly known to the public  
or to Franchisor's or Franchisee's competitors and that Franchisor or Franchisee has identified  
or may identify as proprietary and confidential information (**Trade Secrets**). Covenantor shall  
use such Trade Secrets solely for Franchisee's benefit and shall not, during the term of the  
Franchise Agreement or at any time thereafter, communicate, divulge, or use any Trade Secrets  
to or for the benefit of any other person, entity or organization.

**2. Proprietary Marks.** Covenantor acknowledges Franchisor's right, title, and interest in  
and to the service mark Real Hot Yoga, Real Hot Yoga Systems, Franchisor's stylized design, and

certain other proprietary service marks, logos, symbols and trade names presently used by Franchisor or that Franchisor may hereafter use or provide for use by Franchisee, and the identification, schemes, standards, specifications, operating procedures, and other concepts embodied in Franchisor's franchise system (the Marks). Covenantor further acknowledges that any use of the Marks outside the scope of the Franchise Agreement without Franchisor's prior written consent would be an infringement of Franchisor's rights in the Marks. Covenantor expressly covenants that he/she shall not, directly or indirectly, commit an act of infringement or contest, or aid in contesting, the validity or ownership of the Marks or take any other action in derogation thereof during the term of the Franchise Agreement or after the expiration or termination thereof pledges that his/her violation of any of the covenants contained in this Agreement would result in irreparable injury to Franchisor and Franchisee, for which no adequate remedy at law may be available, and accordingly consents to the issuance of, and agrees to pay all court costs and reasonable attorney fees incurred by Franchisor or Franchisee in obtaining, an injunction enjoining any conduct by Covenantor prohibited by the terms of this Agreement. This remedy shall be in addition to any and all other remedies that may be available to Franchisor or Franchisee.

**3. Non-competition.** Covenantor covenants that, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for two (2) years thereafter, directly or indirectly, for him/herself or through, on behalf of, or in conjunction with any person, entity or organization, own, maintain, operate, engage in, or have any interest in, any business offering yoga or any other products or services that have been offered by the Franchised Business, within twenty-five (25) miles of any Real Hot Yoga Franchised Business. This restriction shall not apply to the beneficial ownership by Covenantor of less than five percent (5%) of the outstanding equity securities of any corporation whose securities are registered under the Securities and Exchange Act of 1934.

**4. Non-solicitation.** Covenantor covenants that he/she shall not, during the term of the Franchise Agreement and for a continuous and uninterrupted period commencing upon the expiration or termination of the Franchise Agreement (regardless of the cause for termination) and continuing for the periods indicated below, either directly or indirectly, for him/herself or through, on behalf of, or in conjunction with, any person, entity or organization

**5. Severability.** The parties agree that each of the covenants contained in this Agreement shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant contained herein is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision, Covenantor expressly agrees to be bound by any lesser covenants subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenants were separately stated in and made a part of this Agreement.

**6. Effect.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors, and assigns.

**7. Construction.** The parties agree that this Agreement shall be deemed to have been entered into in and shall be governed by and construed in accordance with the laws of the State of where the Franchise is located.

**8. Jurisdiction.** The parties agree that any action based upon this Agreement brought by any party hereto against any other party hereto may be brought within the State and judicial district where the Franchised Business is located, and the parties hereby consent to the exercise of personal jurisdiction by any such court and waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**9. Legal Expenses.** In the event a dispute arises under this Agreement, the prevailing party shall be entitled to recover its expenses, including reasonable attorney and accountant fees, in addition to any other relief to which it may be found entitled.

**10. Franchisor Third-Party Beneficiary.** Covenantor and Franchisee acknowledge and intend that the covenants contained in this Agreement shall directly benefit Franchisor, who shall be a third-party beneficiary thereof, entitled to enforce the provisions thereof in Franchisor's own name without Franchisee as a party in any action filed for such purpose, and shall further be entitled to all remedies provided in Section 2 hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement or caused it to be executed by their duly authorized representative, as of the dates set forth below.

FRANCHISEE:

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

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

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

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

\_\_\_\_\_  
COVENANTOR



# real hot yoga

EXHIBIT E. POWER OF ATTORNEY TO ASSIGN TELEPHONE  
NUMBER

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

## POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER

The undersigned Real Hot Yoga franchisee (**Assignor**) does hereby irrevocably constitute and appoint Real Hot Yoga Franchise, LLC, a Tennessee limited liability company (**Assignee**), the true and lawful attorney-in-fact and agent for Assignor and in Assignor's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Assignee, may be necessary or advisable for the sole purpose of assigning to Assignee or Assignee's designee all of Assignor's right, title and interest in and to any and all telephone numbers of Assignor's Real Hot Yoga Franchised Business and all related Yellow Pages, White Pages and other business listings, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services for Assignor, hereby granting unto Assignee full power and authority to do and perform any and all acts and things which, in the sole discretion of Assignee, are necessary or advisable to be done as fully to all intents and purposes as Assignor might or could itself do, hereby ratifying and confirming all that Assignee may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney and regardless of whether Assignor has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Assignee will be required to ascertain the authority of Assignee, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Assignee. Any person, firm or corporation dealing with Assignee shall be fully protected in acting and rely on a certificate of Assignee that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Assignor will not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Assignor by Assignee will be deemed to include such a certificate on the part of Assignee, whether or not expressed. This paragraph will survive any termination of this Power of Attorney.

This power of Attorney will terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated evenly herewith by and between Assignee and Assignor. Such termination, however, will not affect the validity of any act or deed that Assignee may have affected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable Power of Attorney coupled with an interest. It is executed and delivered in the State of Tennessee and the laws of the State of Tennessee and will govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

ASSIGNOR (Franchisee):

\_\_\_\_\_  
*[Name of Franchisee]*

By:

\_\_\_\_\_

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

STATE OF \_\_\_\_\_, COUNTY OF \_\_\_\_\_, Ss.

Acknowledged and subscribed before me, a Notary Public in and for said County and State, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC



# real hot yoga

EXHIBIT F. STATE FRANCHISE REGULATORS AND AGENTS FOR  
SERVICE OF PROCESS

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

## STATE FRANCHISE REGULATORS

### California

Department of Business Oversight  
One Sansome Street Suite 600  
San Francisco, CA 94140-4428  
1-866-275-2677

### Connecticut

Securities & Business Investments  
Division  
Department of Banking  
260 Constitution Plaza  
Hartford, CT 06103-1800  
(860) 240-8230

### Florida

Dept. of Agriculture and Consumer  
Services  
Division of Consumer Services  
227 N. Burrough Street  
City Centre Building, 7th Floor  
Tallahassee, FL 32301  
(904) 922-2770

### Georgia

Governor's Office of Consumer  
Affairs  
2 Martin Luther King, Jr. Drive SE  
356 West Tower  
Atlanta, GA 30334-4600  
(404) 651-8600

### Hawaii

Dept. of Commerce & Consumer  
Affairs  
Business Registration Division  
1010 Richards Street  
Honolulu, HI 96813  
(808) 586-2021

### Illinois

Office of the Attorney General  
Franchise Division  
500 South Second Street  
Springfield, IL 62706  
(217) 782-4465

### Indiana

Indiana Securities Division  
302 West Washington Street  
Room E111  
Indianapolis, IN 46204  
(317) 232-6681

### Kentucky

Office of the Attorney General  
Consumer Protection Division  
P.O. Box 2000  
Frankfort, KY 40602-2000  
(502) 573-2200

### Louisiana

Office of the Attorney General  
Consumer Protection Section  
PO Box 94005  
Baton Rouge, LA 70804-9005  
(225) 326-6460

### Maryland

Office of the Attorney General  
Securities Division  
200 Saint Paul Place  
Baltimore, MD 21202-2020  
(410) 576-6360

### Michigan

Department of Attorney General  
Consumer Protection Division  
Antitrust and Franchise Unit  
670 Law Building  
Lansing, MI 48913  
(517) 373-7117

### Minnesota

Department of Commerce  
Registration Division  
85 7th Place East, Suite 500  
St. Paul, MN 55101-2198  
(651) 296-4026

### Nebraska

Dept. of Banking & Finance  
1200 N Street, Suite 311  
P.O. Box 95006  
Lincoln, NE 68509  
(402) 471-3445

### New York

NYS Department of Law  
Investor Protection Bureau  
28 Liberty St. 21st Fl  
New York, NY 10005  
212-416-8222

### North Carolina

Department of the Secretary of State  
Securities Division  
300 N. Salisbury Street  
Raleigh, NC 27603-5909  
(919) 733-3924

### North Dakota

North Dakota Securities Department  
State Capitol, Fifth Floor  
600 East Boulevard Avenue  
Bismarck, ND 58505-0510  
(701) 328-4712

### Rhode Island

Department of Business Regulation  
Securities Division  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910  
(401) 462-9587

### South Carolina

Secretary of State  
1205 Pendleton Street  
525 Edger Brown Building  
Columbia, SC 29201  
(803) 734-1958

### South Dakota

Dept. of Labor and Regulations  
Division of Securities  
124 S. Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-48233

### Texas

Secretary of State  
Statutory Document Section  
P.O. Box 13563  
Austin, TX 78711  
(513) 475-1769

### Utah

Department of Commerce  
Division of Consumer Protection  
160 East 300 South  
P.O. Box 45804  
Salt Lake City, UT 84145-0804  
(801) 530-6601

**Virginia**

State Corporation Commission  
Division of Securities & Retail  
Franchising  
1300 East Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219  
(804) 371-9276

**Washington**

Department of Financial Institutions  
Securities Division  
150 Israel Road, SW  
Tumwater, WA 98501  
(360) 902-8760

**Wisconsin**

Department of Financial Institutions  
Division of Securities  
345 West Washington Avenue, 4<sup>th</sup>  
Floor  
Madison, WI 53703  
(608)266-1064

## AGENTS FOR SERVICE OF PROCESS

### California

Commissioner of Corporations  
1515 K Street, Suite 200  
Sacramento, CA 95814-4052

### Hawaii

Commissioner of Securities  
335 Merchant Street, Room 203  
Honolulu, HI 96813

### Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, IL 62706

### Indiana

Administrative Office of the Secretary of  
State  
201 State House  
Indianapolis, IN 46204

### Maryland

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020

### Minnesota

Minnesota Commissioner of Commerce  
85 7th Place East, Suite 500  
St. Paul, MN 55101-2198

### New York

Secretary of State  
99 Washington Avenue  
Albany, NY 12231

### North Dakota

Securities Commissioner  
5th Floor, 600 East Boulevard  
Bismarck, ND 58505-0510

### Rhode Island

Dept. of Business Regulation  
Securities Division  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910

### South Dakota

Division of Securities  
Dept. of Labor and Regulations  
124 S. Euclid Suite 104  
Pierre, SD 57501

### Virginia

Clerk of the State Corporation Commission  
1300 East Main Street, 1st Floor  
Richmond, VA 23219

### Washington

Director of Dept. of Financial Institutions  
Security Division  
150 Israel Rd SW  
Tumwater WA 98501

### Wisconsin

Commissioner of Securities  
101 East Wilson Street  
Madison, WI 53703



# real hot yoga

EXHIBIT G. LIST OF FRANCHISEES

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

There were no REAL HOT YOGA Franchisees as of December  
31, 2021



# real hot yoga

EXHIBIT H. LIST OF FRANCHISEES THAT LEFT THE  
SYSTEM

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

There were no Franchisees, who left the system during the most recently completed fiscal year or who have not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

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



# real hot yoga

EXHIBIT I. FINANCIAL STATEMENTS

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

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

11/09/22

Real Hot Yoga Franchise LLC  
Balance Sheet  
As of September 30, 2022

---

	Sep 30, 22
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Pinnacle Bank	95,869.61
Total Checking/Savings	95,869.61
Total Current Assets	95,869.61
Other Assets	
Accumulated Amortization	-4,722.23
Intangibles	34,000.00
Total Other Assets	29,277.77
<b>TOTAL ASSETS</b>	<b>125,147.38</b>
<b>LIABILITIES &amp; EQUITY</b>	
Equity	
Equity	
Equity - Coats	25,618.30
Equity - Goodman	19,213.72
Equity - Morin	19,213.72
Total Equity	64,045.74
Retained Earnings	-23,666.06
Net Income	84,767.70
Total Equity	125,147.38
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>125,147.38</b>

11/09/22

Real Hot Yoga Franchise LLC  
Profit & Loss  
January through September 2022

---

	<u>Jan - Sep 22</u>
Income	
Franchise Fee Income	191,100.00
Total Income	<u>191,100.00</u>
Expense	
Advertising Marketing & Website	15,757.15
Bank and Wire Fees	45.00
business tax	300.95
Meals	279.25
Office Expense	578.01
Postage and Delivery	93.95
Professional Fees-Accounting	1,580.00
Professional Fees-Brokerage Fee	70,246.50
Professional Fees-Legal	12,289.75
Repairs & Maintenance	491.74
Subscription	3,819.00
Taxes-State	851.00
Total Expense	<u>106,332.30</u>
Net Income	<u><u>84,767.70</u></u>



**REAL HOT YOGA FRANCHISE, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**REAL HOT YOGA FRANCHISE, LLC  
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<b>Footnotes</b>	<b>Page 6 - 7</b>

**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of  
Real Hot Yoga Franchise, LLC**

**Opinion**

We have audited the financial statements of Real Hot Yoga Franchise, LLC, which comprises the balance sheets as of December 31, 2021, and 2020, and the related statements of operations, and changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Real Hot Yoga Franchise, LLC as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Real Hot Yoga Franchise, 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Real Hot Yoga Franchise, 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 Real Hot Yoga Franchise, 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.



Akiva Manne CPA  
Allentown PA  
April 19, 2022

REAL HOT YOGA FRANCHISE, LLC  
BALANCE SHEETS

	<u>ASSETS</u>	
	DECEMBER 31	
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash	\$ 11,102	\$ 27,701
Prepaid expenses	—	4,800
Total Current Assets	<u>11,102</u>	<u>32,501</u>
Intangibles, net of amortization	<u>29,276</u>	<u>31,543</u>
Total Assets	<u>\$ 40,378</u>	<u>\$ 64,044</u>
	<u>MEMBERS' EQUITY</u>	
Members' Equity	<u>\$ 40,378</u>	<u>\$ 64,044</u>
Total Members' Equity	<u>\$ 40,378</u>	<u>\$ 64,044</u>

See notes to financial statements

REAL HOT YOGA FRANCHISE, LLC  
STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY

	<u>YEARS ENDED DECEMBER 31</u>	
	<u>2021</u>	<u>2020</u>
Revenues	\$ —	\$ —
Operating Expenses	<u>23,666</u>	<u>9,767</u>
Net (Loss)	(23,666)	(9,767)
Beginning Equity	64,044	73,811
Members' Contribution	<u>—</u>	<u>—</u>
Ending Equity	<u>\$ 40,378</u>	<u>\$ 64,044</u>

See notes to financial statements

REAL HOT YOGA FRANCHISE, LLC  
STATEMENTS OF CASHFLOWS

	YEARS ENDED DECEMBER 31	
	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Net (loss)	\$ (23,666)	\$ (9,767)
Amortization	2,267	2,268
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Changes in assets and liabilities		
Due from members'	—	40,000
Prepaid expenses	4,800	(4,800)
	(16,599)	27,701
<b>Net Increase (Decrease) in Cash</b>	<b>(16,599)</b>	<b>27,701</b>
Cash - Beginning of Year	27,701	—
Cash - End of Year	\$ 11,102	\$ 27,701

See notes to financial statements

**REAL HOT YOGA FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. THE COMPANY**

Real Hot Yoga Franchise, LLC is a Tennessee Limited Liability Company formed during November 2019 to sell franchises. Real Hot Yoga franchisees will be providing students with a special yoga experience using a state-of-the-art facility in a warm, welcoming, and supportive environment utilizing the system created by Real Hot Yoga Franchise, LLC.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Taxes on Income**-The Company has elected to be taxed as a limited liability corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the member and is reported on the member's individual income tax return.

**3. REVENUE RECOGNITION**

The Company will record revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations will be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation will be amortized over the life of the related franchise agreements. Commissions paid for franchises will be amortized over the life of the franchise agreement.

**REAL HOT YOGA FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**4. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through April 21, 2022, the date the financial statements were available to be issued.

**REAL HOT YOGA FRANCHISE, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**REAL HOT YOGA FRANCHISE, LLC  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

**To the Members of  
Real Hot Yoga Franchise, LLC**

We have audited the financial statements of Real Hot Yoga Franchise, LLC (the "Company") which comprises the balance sheet as of December 31, 2020, and the related statements of operations, changes in members' equity, and cash flow for the year ended December 31, 2020, and the related notes to financial statements. The financial statements for the period ending December 31, 2019, were audited by other auditors whose report dated March 10, 2020, included an unqualified opinion of those statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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.

**Auditor's Responsibility**


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Real Hot Yoga Franchise, LLC as of December 31, 2020, and the results of its operations and its cash flow for the year than ended, in conformity with accounting principles generally accepted in the United States of America.

  
Akiva Manne, CPA  
June 23, 2021

**REAL HOT YOGA FRANCHISE, LLC  
BALANCE SHEETS**

	<u>ASSETS</u>	
	<u>DECEMBER 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash	\$ 27,701	\$ —
Due from members'	—	40,000
Prepaid expenses	4,800	—
<b>Total Current Assets</b>	<b><u>32,501</u></b>	<b><u>40,000</u></b>
 Intangible, net of amortization	 31,543	 33,811
 <b>Total Assets</b>	 <b><u>\$ 64,044</u></b>	 <b><u>\$ 73,811</u></b>
	<u>LIABILITIES AND MEMBERS' EQUITY</u>	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ —	\$ —
 Members' Equity	 <u>64,044</u>	 <u>73,811</u>
 <b>Total Liabilities and Members' Equity</b>	 <b><u>\$ 64,044</u></b>	 <b><u>\$ 73,811</u></b>

See notes to financial statements

**REAL HOT YOGA FRANCHISE, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' (EQUITY)**  
**FOR THE YEAR ENDING DECEMBER 31, 2020 and THE PERIOD FROM NOVEMBER 7,**  
**2019 (INCEPTION) THROUGH DECEMBER 31, 2019**

Revenues	\$ —	\$ —
Operating Expenses	<u>9,767</u>	<u>5,189</u>
Net (Loss)	(9,767)	(5,189)
Beginning Equity	73,811	—
Members' Contribution	<u>—</u>	<u>79,000</u>
Ending Equity	<u>\$ 64,044</u>	<u>\$ 73,811</u>

see notes to financial statements

**REAL HOT YOGA FRANCHISE, LLC**  
**STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDING DECEMBER 31, 2020 and THE PERIOD FROM NOVEMBER 7,**  
**2019 (INCEPTION) THROUGH DECEMBER 31, 2019**

<b>Cash Flows from Operating Activities:</b>		
Net (loss)	\$ (9,767)	\$ (5,189)
Amortization	2,268	189
<b>Adjustments to reconcile loss to net cash provided (used) by operating activities:</b>		
<b>Changes in assets and liabilities</b>		
Due from members'	40,000	(40,000)
Prepaid expenses	(4,800)	—
	<u>27,701</u>	<u>(45,000)</u>
<b>Cash Flows from Investing Activities:</b>		
Expenditures on Intangibles	—	(34,000)
<b>Cash Flows from Financing Activities:</b>		
Members' Contribution	—	79,000
	<u>—</u>	<u>79,000</u>
<b>Net Increase in Cash</b>	<b>27,701</b>	<b>—</b>
<b>Cash - Beginning</b>	<b>—</b>	<b>—</b>
<b>Cash - Ending</b>	<b><u>\$ 27,701</u></b>	<b><u>\$ —</u></b>

See notes to financial statements

REAL HOT YOGA FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS

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**1. THE COMPANY**

Real Hot Yoga Franchise, LLC (the "Company") is a Tennessee Limited Liability Company formed during November 2019 to sell franchises for the operation of a Real Hot Yoga franchise. Real Hot Yoga franchisees will be providing students with a special yoga experience using a state-of-the-art facility in a warm, welcoming, and supportive environment using the franchise "system".

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

**Taxes on Income**-The Company has elected to be taxed as a limited liability corporation for federal and state income tax purposes. Income and expenses for the Company pass through directly to the member and is reported on the member's individual income tax return.

**3. REVENUE RECOGNITION**

**Revenue Recognition**-In May 2014, the FASB issued a new accounting standard ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", that attempts to establish a uniform basis for recording revenue to virtually all industries' financial statements. The revenue standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. Additionally, the new guidance requires enhanced disclosure to help financial statement users better understand the nature, amount, timing, and uncertainty of the revenue recorded. The Company adopted the standard commencing as of January 1, 2019 using the retrospective transition method.

**REAL HOT YOGA FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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The new standard changed how the Company records initial franchise fees. Under Legacy GAAP, franchise fees, which are non-refundable, were recognized as income when substantially all services to be performed by the Company and conditions relating to the sale of the franchise were performed or satisfied, which generally occurred when the franchisee commenced operations.

The new standard requires that the franchise fee received from customers be allocated to each separate and distinct performance obligation. The following services (“distinct performance obligations”) are typically provided by the Company prior to the opening of a franchise location.

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

The transaction price attributable to each separate and distinct performance obligation would then be recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation is amortized over the life of the related franchise agreement.

Brokerage and employee commissions paid for the sale of a franchise are also affected by the changes in revenue recognition for franchise fees. Commissions paid are recognized as an expense in the same ratio as franchise fees are recognized as a percentage of the total fee paid. Any unrecognized fees paid are classified as deferred franchise fee expense on the balance sheet.

Upon adoption as of January 1, 2020 there was no adjustment to retained earnings required since the company has not charged any franchise fees prior to, or during 2020.

**4. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM**

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization and a national emergency by the U.S. government in March 2020 and has negatively affected the U.S. economy. The continuing impact on the Company’s business has contributed to and may continue to have a material adverse effect on the Company’s business, results of operations, financial condition, and cash flows. At this time, the full impact cannot be determined.

**5. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events have been evaluated through April 21, 2021, the date the financial statements were available to be issued.



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A. ANDREW GIANIODIS

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CERTIFIED PUBLIC ACCOUNTANT

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REAL HOT YOGA FRANCHISE, LLC

DECEMBER 31, 2019

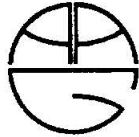
FINANCIAL STATEMENTS

# REAL HOT YOGA FRANCHISE, LLC

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**A. ANDREW GIANIODIS**  
**CERTIFIED PUBLIC ACCOUNTANT**

March 10, 2020

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of  
Real Hot Yoga Franchise, LLC:

### REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Real Hot Yoga Franchise, LLC (a limited liability company) as of December 31, 2019 and the related statements of operations, changes in owner's equity and cash flows for the period November 7 through December 31, 2019. These financial statements are the responsibility of the Company's management.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position Real Hot Yoga Franchise, LLC as of December 31, 2019 and the related statements of operations, changes in owner's equity and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "A. Andrew Gianiodis CPA". The signature is written in a cursive style with a large initial "A" and "G".

A. Andrew Gianiodis

Certified Public Accountant

# Real Hot Yoga Franchise, LLC

Balance Sheet  
December 31, 2019

## ASSETS

Current Assets	
Cash	\$ -
Subscriptions receivable	<u>40,000</u>
Total Current Assets	<u>40,000</u>
Other Assets	
Intangible, net of amortization	<u>33,811</u>
TOTAL ASSETS	<u>\$ 73,811</u>

## LIABILITIES & EQUITY

Current Liabilities	
Accounts payable	\$ -
Due to affiliate	-
Total Liabilities	<u>-</u>
Members' Equity	<u>73,811</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 73,811</u>

*See accompanying notes*

Real Hot Yoga Franchise, LLC  
Statement of Operations  
Period November 7 through December 31, 2019

Revenues	
Franchise fees	\$ -
Other revenue (net of costs)	-
Total revenue	<u>-</u>
Expenses	
Advertising	-
Bank charges	-
Consulting	-
Office	-
Professional fees	5,000
Marketing fees	-
Travel	-
Website	-
Total expenses	<u>5,000</u>
Operating Loss	(5,000)
Amortization	<u>(189)</u>
Net Loss	<u>\$ (5,189)</u>

*See accompanying notes*

## Real Hot Yoga Franchise, LLC

### Statement of Changes in Member's Equity Period November 7 through December 31, 2019

	Total Equity
Equity at November 7, 2019	\$ -
Capital Contribution	79,000
Net loss	<u>(5,189)</u>
Equity December 31, 2019	<u>\$ 73,811</u>

*See accompanying notes*

**Real Hot Yoga Franchise, LLC**  
**Statement of Cash Flows**  
**Period November 7 through December 31, 2019**

Cash flows from operating activities:	
Net Income	<u>\$ (5,189)</u>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation & amortization	189
Changes in assets and liabilities	
Current assets	(40,000)
Current liabilities	<u>-</u>
Net cash provided by operating activities	<u>(45,000)</u>
Cash flows from investing activities:	
Expenditure on intangibles	<u>(34,000)</u>
Net cash provided by investing activities	<u>(34,000)</u>
Cash flows from financing activities:	
Capital infusion	79,000
Owner draws	<u>-</u>
Net cash provided by investing activities	<u>79,000</u>
Net change in cash	-
Cash - beginning of period	<u>-</u>
Cash - end of period	<u><u>\$ -</u></u>
Supplemental Disclosures	
Interest Paid	-
Income Taxes Paid	-

*See accompanying notes*

REAL HOT YOGA FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND NATURE OF BUSINESS**

The Company was incorporated under the laws of the State of Tennessee purpose of offering franchise opportunities to entrepreneurs who want to own their own Real Hot Yoga operation, as a franchise.

**BASIS OF PRESENTATION**

The financial statements are presented on the accrual basis of accounting.

**REVENUE RECOGNITION**

The Company accounts for revenue using the accounting method prescribed under Accounting Standards Codification 606 ("ASC") Topic Franchisors.

Deferred revenue consists of fees paid to the Company when a franchise agreement is signed. This revenue is deferred until all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. In 2019, the Company recognized no franchise fees.

Royalty fees will be charged on a monthly basis and are recorded as earned.

**COMPANY INCOME TAXES**

The Company, with the consent of its members, has elected to be a limited liability company. In lieu of corporation income taxes, the members of a limited liability company is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

**NOTE 2      DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company estimates that the fair value of all financial instruments at December 31, 2019, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

REAL HOT YOGA FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3      COMMITMENTS AND CONTINGENCIES**

The Company does not carry general liability or worker's compensation coverage, nor is it self-insured.

**NOTE 4      FRANCHISE AGREEMENT**

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

**NOTE 5      SUBSEQUENT EVENTS**

There were no subsequent events noted through March 10, 2020, the date that the financial statements were available to be issued.



**A. ANDREW GIANIODIS**  
**CERTIFIED PUBLIC ACCOUNTANT**

## CONSENT OF THE INDEPENDENT AUDITOR

A. Andrew Gianiodis, CPA consents to the use in the Franchise Disclosure Document issued by Real Hot Yoga Franchise, LLC ("Franchisor") on March 12, 2020, as it may be amended, of our report dated March 10, 2020, relating to the financial statements of the Franchisor for the period November 7 through December 31, 2019.

A. Andrew Gianiodis, CPA



# real hot yoga

EXHIBIT J. TABLES OF CONTENTS OF OPERATING  
MANUAL

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT



**real hot yoga**

**Real Hot Yoga  
Operations Manual**

**Item 1. Publication Date: 2019**

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# Franchise Operations Manual

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# real hot yoga

EXHIBIT K. STATE SPECIFIC ADDENDUMS

TO THE REAL HOT YOGA FRANCHISE DISCLOSURE DOCUMENT

## **CALIFORNIA STATE ADDENDUM DISCLOSURES:**

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the franchise disclosure document.
2. The franchisor, any person or franchise broker in Item 2 of the UFOC is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.
3. California Business and Professions Code 20000 through 20043 provides rights to the franchise concerning termination, transfer, or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
4. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).
5. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
7. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
8. The franchise agreement requires the application of the laws of Tennessee. This provision may not be enforceable under California law.
9. Section 31125 of the California Corporations Code requires us to give you a disclosure document in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
10. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).
11. “The earnings claim figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.”

12. Our website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the contents of the website may be directed to the California Department of Business Oversight at [www.dbo.ca.gov](http://www.dbo.ca.gov).

### **HAWAII ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Hawaii Franchise Investment Law:

The following list reflects the status of our franchise registrations in the states which have franchise registration laws:

- This registration is effective in the states of Florida, Indiana, Kentucky, Nebraska, Texas, and Virginia.
- There are no states which have refused, by order or otherwise, to register these franchises.
- There are no states which have revoked or suspended the right to offer these franchises.

The release required as a condition of renewal, assignment, and transfer will not apply to any liability arising under the Hawaii Franchise Investment Law.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**HAWAII ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Hawaii Franchise Investment Law:

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement is amended as follows:

(a) The Hawaii Franchise Investment Law provides rights to you concerning non-renewal, termination, and transfer of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

(b) A general release required as a condition of the renewal, assignment, or transfer of the Franchise Agreement or the franchise granted hereunder shall not apply to any claim or liability arising under the Hawaii Franchise Investment Law.

2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

## **ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

815 ILCS 705/41 provides that any condition, stipulation or provision in the franchise agreement that requires you to waive any of your rights under, or the franchisor's obligation to comply with any provision of, the Illinois Franchise Disclosure Act of 1987, as amended, the Illinois Disclosure Rules and Regulations, or any other law of Illinois, is void.

Nonrenewal of your franchise must comply with 815 ILCS 705/20. Termination of your franchise must comply with 815 ILCS 705/19.

Any provision in the franchise agreement that requires the application of the laws of another state is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.

Any provision in the franchise agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

The Choice of Forum stated in Item 17v is modified to state that

*All claims must be brought in Knox County, Tennessee, or in the County in the state of Illinois where your franchise is located.*

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND OTHER AGREEMENTS**

The Franchise Agreement to which this addendum is attached, which may have been entered into by and between the below-undersigned parties incident to the execution of the Franchise Agreement (collectively referred to as the “Franchise Related Agreements”) are amended as follows to comply with the Illinois Franchise Disclosure Act of 1987, as amended, and the Illinois Disclosure Rules and Regulations:

1. Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.
2. Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.
3. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Illinois Franchise Disclosure Act.
4. Any provision in the Franchise Agreement and Franchise Related Agreements that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Illinois is void with respect to a claim otherwise enforceable under the Illinois Franchise Disclosure Act.
5. Illinois law governs the Franchise Agreement(s).
6. 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 the Illinois Franchise Disclosure Act or any other law of Illinois is void.

The parties are signing this addendum concurrently with the Franchise Agreement and Franchise Related Agreements to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

## **INDIANA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law:

THE STATE OF INDIANA HAS STATUTES, WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE [INDIANA CODE §§23-2-2.5-1 THROUGH 23-2-2.5-50]. THIS STATE ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF INDIANA HAS A STATUTE WHICH RESTRICTS OR PROHIBITS THE IMPOSITION OF LIQUIDATED DAMAGE PROVISIONS [INDIANA CODE §23-2-2.7(10)]. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101.

A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

The franchise agreement does not expressly give you the right to terminate, but Indiana law may give you the right to terminate if we commit a substantial breach of the franchise agreement.

Any provision in the franchise agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.

In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise offering circular, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**INDIANA ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.

1. A general release required as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law.
2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Indiana is void with respect to a claim otherwise enforceable under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Law.
3. In the event of a conflict of laws, the provisions of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law shall prevail.
4. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

## **MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Maryland Franchise Registration and Disclosure Law:

### ITEM 17

The general release required as a condition of renewal, assignment, or transfer does not apply to any claims that arise under the Maryland Franchise Registration and Disclosure Law.

The franchise agreement provision, which provides for termination upon bankruptcy of the franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

You may sue us in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

**MARYLAND ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

The Franchise Agreement and Area Development Agreement to which this addendum is attached are amended as follows to comply with the Maryland Franchise Registration and Disclosure Law:

1. A general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
6. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

## **FOR RESIDENTS OF THE STATE OF MICHIGAN**

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

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 rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for a good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
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 that 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 another 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 requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct an arbitration at a location outside this state.
7. A provision that permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for a good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  8. (a) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(b) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(d) 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.

9. 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 paragraph 3 above.

10. A provision that 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.

11. 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 the notice of this offering on file with the attorney general should be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913 (517) 373-7117.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

## **MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Minnesota Franchise Law:

The Minnesota Department of Commerce requires that the franchisor indemnifies Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes trademark rights of the third party. The franchisor does not indemnify against the consequences of the franchisee's use of the franchisor's trademark except in accordance with the requirements of the franchise.

Minnesota Rules, 1989, Department of Commerce, Chapter 2860, Section 4400D prohibits a franchisor from requiring a franchisee to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statutes 1973 Supplement, Section 80C.01 to 80C.22; provided, that this part shall not bar the voluntary settlement of disputes.

Minn. Rule 2860.4400J states that it is unfair and inequitable for a franchisor to require a franchisee to waive his or her rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of Minnesota, or to consent to liquidated damages, termination penalties, or judgment notes. Any language found in the disclosure document or Franchise Agreement contrary to this rule is amended so that it does not apply to Minnesota franchisees.

THE STATE OF MINNESOTA HAS STATUTES, WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF MINNESOTA ALSO HAS COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE AGREEMENT IN YOUR RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR MUST COMPLY WITH MINNESOTA STATUTE 80C.14, SUBDIVISIONS 3, 4 AND 5, WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIC CASES, THAT A FRANCHISEE BE GIVEN 90 DAYS NOTICE OF TERMINATION (WITH 60 DAYS TO CURE) AND 180 DAYS NOTICE FOR NONRENEWAL OF THE FRANCHISE AGREEMENT. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATES THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF MINNESOTA HAS COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED. LIQUIDATED DAMAGE PROVISIONS ARE VOID UNDER MINNESOTA LAW.

Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the requirement that all litigation must take place in California shall not in any way abrogate or reduce any rights of the franchise as provided for in Minnesota Statutes, Chapter 80C.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the franchise agreement.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Minnesota Franchise Law:

1. A general release required as a condition of renewal, assignment, or transfer does not apply to any claim or liability arising under the Minnesota Franchise Law.
2. Franchisor shall protect the right of Franchisee to use the Marks in accordance with the requirements of the Franchise Agreement.
3. The final two paragraphs of provision XXI(B) are hereby deleted.
4. Section XXIII(D) does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of Minnesota.
5. The representations contained in section XXIII(A) of the Franchise Agreement do not act as a release, estoppel, or waiver of any liability arising under the Minnesota Franchise Law.
6. Pursuant to Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, the Franchise Agreement does not in any way abrogate or reduce any rights of Franchisee as provided for in Minnesota Statutes, Chapter 80C. These statutes prohibit Franchisor from requiring litigation to be conducted outside Minnesota or abrogating or reducing any of Franchisee's rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
7. With respect to franchises governed by Minnesota law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4, and 5, which require, except in certain specified cases, that a franchisee is given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.
8. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

**NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES 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 THAT 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 WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

Except as provided above, with regard 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, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in

the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective

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 the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

## **NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the North Dakota Franchise Investment Law:

Covenants restricting or prohibiting your right to compete after the termination or expiration of your franchise agreement are generally considered unenforceable in the State of North Dakota.

The release required as a condition of renewal and/or assignment/transfer will not apply to any liability arising under the North Dakota Franchise Investment Law.

Any provision of the franchise agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.

Any mediation, if necessary, will take place at the American Arbitration Association office nearest your business Site.

Any provision of the franchise agreement requiring you to waive the right to a trial by jury is void.

Any provision of the franchise agreement requiring you to waive exemplary or punitive damages is void.

Any provision of the franchise agreement requiring you to consent to a statute of limitations that is shorter than the applicable North Dakota statute of limitations is void.

**NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the North Dakota Franchise Investment Law:

1. A general release required as a condition of renewal and/or assignment/transfer shall not apply to any claim or liability arising under the North Dakota Franchise Investment Law.
2. Any provision of this Agreement restricting jurisdiction or venue to a forum outside the State of North Dakota or requiring the application of the laws of a state other than North Dakota is void.
3. Section 15.1 is amended by the addition of the following sentence:

“Covenants not to compete such as the one described above are generally considered unenforceable in the State of North Dakota.”
4. The final two paragraphs of provision XXI(B) are hereby deleted.
5. Section XXIII(D) does not apply to any action to enforce any liability created by the Minnesota Franchise Law. Any claim arising under the Minnesota Franchise Law may be brought in the state of North Dakota.
6. The parties are signing this addendum simultaneously with the Franchise Agreement to which it is attached.

**REAL HOT YOGA FRANCHISE, LLC** **BUSINESS ORGANIZATION FRANCHISEE:**

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

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

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

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

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

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

**INDIVIDUAL FRANCHISEE:** **INDIVIDUAL FRANCHISEE:**

\_\_\_\_\_  
*Signature*

\_\_\_\_\_  
*Signature*

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

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

**RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Rhode Island Franchise Investment Act:

A condition, stipulation, or provision requiring a franchise to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this act or a rule or order under this act is void.

A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.

**RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Rhode Island Franchise Investment Act.

1. A general release requiring as a condition of renewal, assignment, or transfer shall not apply to any claim or liability arising under the Rhode Island Franchise Investment Act.
2. Any provision in the Franchise Agreement that requires the application of the laws of another state or designates jurisdiction or venue in a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

**VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following statements are added to Item 17.h.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the development 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.

## **WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Washington Franchise Investment Protection Act:

The State of Washington has a statute, R.C.W. 19.100.180, which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 R.C.W., shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectible to the extent that they reflect the Franchisor's reasonably estimated or actual costs in effecting a transfer.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Washington Franchise Investment Protection Act:

1. The State of Washington has a statute, RCW 19.100.180, that may supersede the franchise agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise. There may also be court decisions that may supersede the franchise agreement in your relationship with the Franchisor including the areas of termination and renewal of your franchise.
2. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.
3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
4. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
5. Transfer fees are collectible to the extent that they reflect the Franchisor's reasonably estimated or actual costs in effecting a transfer.
6. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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

## **WISCONSIN ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following additional disclosures are required by the Wisconsin Franchise Investment Law and the Wisconsin Fair Dealership Law:

THE WISCONSIN FAIR DEALERSHIP LAW SUPERSEDES ANY PROVISION OF THE FRANCHISE AGREEMENT THAT IS INCONSISTENT WITH THAT LAW. THE STATE OF WISCONSIN MAY ALSO HAVE COURT DECISIONS WHICH MAY SUPERSEDE THE FRANCHISE RELATIONSHIP IN RELATIONSHIP WITH THE FRANCHISOR, INCLUDING THE AREAS OF TERMINATION AND RENEWAL OF YOUR FRANCHISE. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS WHICH RESTRICT THE IMPOSITION OF LIQUIDATED DAMAGES. THE IMPOSITION OF LIQUIDATED DAMAGES IS ALSO RESTRICTED BY FAIR PRACTICE LAWS, CONTRACT LAW, AND STATE AND FEDERAL COURT DECISIONS. A PROVISION IN THE FRANCHISE AGREEMENT WHICH TERMINATED THE FRANCHISE UPON THE BANKRUPTCY OF THE FRANCHISEE MAY NOT BE ENFORCEABLE UNDER TITLE 11, UNITED STATES CODE §101. THE STATE OF WISCONSIN MAY HAVE COURT DECISIONS LIMITING THE FRANCHISOR'S ABILITY TO RESTRICT YOUR ACTIVITY AFTER THE FRANCHISE AGREEMENT HAS ENDED.

We may revoke our approval of any previously approved supplier at any time if the quality of the product or the supplier's financial condition or ability to satisfy your requirements do not continue to meet our satisfaction.

To the extent, this addendum is inconsistent with any terms or conditions of the franchise disclosure document, the Franchise Agreement, or any of their exhibits or attachments, the terms of this Addendum control.

**WISCONSIN ADDENDUM TO FRANCHISE AGREEMENT**

The Franchise Agreement to which this addendum is attached is amended as follows to comply with the Wisconsin Fair Dealership Law:

1. The Wisconsin Fair Dealership Law, Chapter 135, Stats., supersedes any inconsistent provisions of the Franchise Agreement.
2. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently of this addendum. To the extent, this addendum is inconsistent with any term or condition of the Franchise Agreement or its exhibits or attachments, the terms of this Addendum control. Franchisor and Franchisee hereby ratify and affirm the Franchise Agreement in all other respects.

The parties are signing this addendum concurrently with the Franchise Agreement to which it is attached.

FRANCHISOR:  
**REAL HOT YOGA FRANCHISE, LLC**

FRANCHISEE:

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

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

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

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:

<b>State</b>	<b>Effective Date</b>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	May 27, 2022
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	August 31, 2022
Washington	
Wisconsin	May 25, 2022

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 Real Hot Yoga Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

[New York, Oklahoma and Rhode Island require that Real Hot Yoga Franchise, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Iowa requires that Real Hot Yoga Franchise, LLC gives you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

[Michigan and Oregon require that Real Hot Yoga Franchise, LLC gives you this disclosure document at least 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.]

If Real Hot Yoga Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed on Exhibit I.

The name, principal business address and telephone number of each franchise seller offering the franchise is: Jeff Morin, VP of Franchise Sales, Cindy Coats, VP of Brand Management and Aaron Goodman, VP of Operations at 8023 Kingston Pk., Ste 5, Knoxville, TN 37919, Tennessee, 865-919-9642, and: \_\_\_\_\_.

Issuance Date: April 25, 2022, as amended November 10, 2022

Our registered agents authorized to receive service of process for us are listed in Exhibit H.

I have received a disclosure document dated April 25, 2022, as amended November 10, 2022. This disclosure document included the following Exhibits:

<b>EXHIBIT A. FRANCHISE AGREEMENT</b>	<b>EXHIBIT G. LIST OF FRANCHISEES</b>
<b>EXHIBIT B. AREA DEVELOPMENT AGREEMENT</b>	<b>EXHIBIT H. LIST OF FRANCHISEES THAT LEFT THE SYSTEM</b>
<b>EXHIBIT C. PERSONAL GUARANTY</b>	<b>EXHIBIT I. FINANCIAL STATEMENTS</b>
<b>EXHIBIT D. RESTRICTIVE COVENANT AGREEMENT</b>	<b>EXHIBIT J. TABLES OF CONTENTS OF OPERATING MANUAL</b>
<b>EXHIBIT E. POWER OF ATTORNEY TO ASSIGN TELEPHONE NUMBER</b>	<b>EXHIBIT K. STATE SPECIFIC ADDENDUMS</b>
<b>EXHIBIT F. STATE FRANCHISE REGULATORS AND AGENTS FOR SERVICE OF PROCESS</b>	

_____ Date	_____ Signature	_____ Print Name
_____ Date	_____ Signature	_____ Print Name

KEEP THIS COPY FOR YOUR RECORDS

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_____ Date	_____ Signature	_____ Print Name
_____ Date	_____ Signature	_____ Print Name

RETURN TO: Real Hot Yoga Franchise, LLC at 8023 Kingston Pk., Ste 5, Knoxville, TN 37919