FRANCHISE DISCLOSURE DOCUMENT

Red Light Method Franchising, LLC
a Missouri limited liability company
1400 SE Walton Blvd, Suite 34
Bentonville, Arkansas 72712
(775) 737-3322
www.redlightmethod.com
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Red Light Method Franchising, LLC offers for sale a franchise to establish and operate a hybrid spa-gym, boutique fitness business offering red light therapy spa treatments, using a medical-grade, pad-based red light therapy device, and group Power Plate classes, with the option to add Pilates, at Studios identified by the "Red Light Method" trade name and marks.

The total investment necessary to begin operations of a Red Light Method franchise ranges from $276,675 to $614,175. This amount includes $51,925 that must be paid to the franchisor or its affiliate. The total investment necessary to begin operation of a Red Light Method franchise pursuant to an area development agreement for three (3) Studios ranges from $346,675 to $684,175. This amount includes $121,925 that must be paid to the franchisor or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Allison Beardsley at Red Light Method Franchising, LLC, 1400 SE Walton Blvd, Suite 34, Bentonville, Arkansas 72712, (775) 737-3322, and allison@redlightmethod.com.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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: March 7, 2024, as amended July 1, 2024

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
How much can I earn?	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 Exhibits G and H.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only RED LIGHT METHOD business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a RED LIGHT METHOD franchisee?	Item 20 or Exhibits G and H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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*

<u>Continuing responsibility to pay fees</u>. You may have to pay royalties and other fees even if you are losing money.

<u>Business model can change</u>. 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.

<u>Supplier restrictions</u>. 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.

<u>Operating restrictions</u>. 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.

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

<u>Renewal</u>. 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.

<u>When your franchise ends</u>. 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 B.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Missouri. 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 Missouri than in your own state.

2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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.

4. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

5. **Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.

6. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR, ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language, this disclosure document uses "we," "us," "our," "Franchisor" or "Red Light Method" to mean Red Light Method Franchising, LLC, the franchisor. "You" means the person, corporation, partnership or other entity that buys the franchise.

Franchisor, Parents, Predecessors, and Affiliates

We are a Missouri limited liability company that was formed on July 13, 2023. We do business under the trade name Red Light Method™. Our principal business address is 1400 SE Walton Blvd, Suite 34, Bentonville, Arkansas 72712, and our telephone number is (775) 737-3322. We do not conduct business under any other name. This is our initial franchise offering. We do not operate a business of the type we franchise. We have never offered franchises in any other line of business.

We are a wholly owned subsidiary of our parent, Red Lite Gym, LLC, ("Licensor"), a Missouri limited liability company that was formed on January 15, 2022, and formerly named Red Light Lab, LLC. On March 7, 2022, an amendment was filed with the State of Missouri changing the name of Red Light Lab, LLC to Red Lite Gym, LLC. Licensor is the owner of the "Red Light Method" trade name, trademarks, service marks, logos and other related trade dress (the "Marks") and licenses the Marks to us pursuant to an agreement dated August 10, 2023. Its principal business address is 4696 Little Missouri Road, Pineville, Missouri 64856. Licensor currently owns and operates a business similar to the Red Light Method franchise you will own and operate. Licensor first opened its business in August 2022 under the name "Red Lite Gym" and in July 2023 rebranded and changed the name of the business to "Red Light Method". Licensor has never offered franchises in any line of business.

We have no affiliates or predecessors.

Agent for Service of Process

Our agents for service of process are disclosed in **Exhibit B.**

The Business We Offer

We offer for sale a franchise to operate a distinctive hybrid spa-gym, boutique fitness business offering red light therapy spa treatments, using a medical-grade, pad-based red light therapy device, and group Power Plate classes, with the option to add Pilates, (a "Red Light Method Studio") under the terms of a franchise agreement attached as **Exhibit A** (the "Franchise Agreement"). The red light therapy device that you will use in your Studio has been classified by the FDA as a Class II medical device and has received FDA clearance for circumferential reduction (inch loss), temporary relief of pain and increased blood circulation. You are not required to obtain any certification or license to operate the red light therapy device at your Studio under its classification as a Class II medical device. We offer two different Red Light Method Studio formats, the "Classic Model" and the "Pilates Model", of which you will choose one of the formats for your Red Light Method Studio when you sign the Franchise Agreement. The Classic Model offers red light therapy treatments and Power Plate classes; and the Pilates Model offers Pilates reformers with classes in addition to red light therapy treatments and Power Plate classes. The Classic Model is typically 1,500 to 2,000 square feet, with 10 treatment rooms and 10 Power Plates. The Pilates Model is typically 2,000 – 2,500 square feet, with 10 treatment rooms, 6 Power Plates, and 10 Pilates reformers. The Red Light Method Studios are usually located in a shopping center or a free-standing building. We may, however, consider alternative sites, on a case-by-case basis.

The Franchise Agreement authorizes you to use the Marks in connection with your operation of a Red Light Method Studio. The Red Light Method Studios are established and operated under a comprehensive design that includes, but is not limited to, red light therapy methods and techniques for body-contouring, pain and inflammation reduction, and increased blood flow, medical-grade red light pads, Power Plate equipment, Pilates reformers, and other related spa/gym equipment and products, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, distinctive interior design and display procedures, and color scheme and decor (collectively, the "System"). The System's standards, specifications and procedures are described in our confidential operations manuals (collectively, the "Manual"). The System and the Manual may be changed, improved, and further developed by us.

The franchise generally described in this disclosure document is a license to establish and operate a single Red Light Method Studio (the "Studio") under the terms of the Franchise Agreement. The Franchise Agreement is signed by us, by you, and by those of your principals whom we designate as the principal franchisee-operator(s) (the "Designated Operator(s)") of the franchised business. The Designated Operator(s) (there may be up to two such individuals but only one address to which we communicate to regarding the franchise) named has the authority to act for you in all matters relating to the Studio, including voting responsibilities.

In addition to offering franchises for individual Red Light Method Studios, we offer the right to develop and operate three (3) Red Light Method Studios under the form of an area development agreement attached as **Exhibit I** (the "Area Development Agreement"). The development schedule included in the Area Development Agreement (the "Development Schedule") will specify the dates by which you must open each Red Light Method Studio. For each Studio you develop under an Area Development Agreement, you will sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Disclosure Document. The development area and schedule must be agreed upon by us prior to execution of the Area Development Agreement. Before the execution of each Franchise Agreement, we will deliver to you a Disclosure Document describing the terms of our then-current Franchise Agreement and provide you with other relevant information.

Market and Competition

The target market for Red Light Method Studio customers includes members of the general public who are at least 18 years of age (although children over 12 years of age may use the Studio and related services when directly supervised by a parent or legal guardian.) However, we anticipate that athletes, consumers desiring to lose inches and contour their bodies, consumers suffering from certain types of ailments and pain, and wellness-focused consumers, will be particularly drawn to the Studio for health benefits. Our business is not seasonal, although you may experience peak months and membership fluctuation (e.g., January is typically a busier month for fitness, health and wellness facilities.)

The market for the type of red light therapy services, using a medical-grade, pad-based red light therapy device, combined with Power Plates and Pilates fitness classes in a hybrid spa-fitness studio is new to the marketplace and developing. We believe the Red Light Method Studio may be the first of its kind in the boutique fitness industry. Your primary competition will be other businesses offering red light therapy services, infrared saunas, med-spas, boutique fitness studios and gyms that offer Power Plate and Pilates classes.

Applicable Regulations

There may be specific licenses, permits, authorizations or otherwise that may be required for operating the Studio in your area, which can vary significantly by venue and change over time. You must comply with all federal, state, and local laws, rules, and regulations that apply to your Studio, including those that apply to exercise and fitness businesses. Specifically, many states and local municipalities have laws and regulations that apply to membership contracts, operations, and licenses. Many states limit the length of time of your membership contracts, require specific provisions to be included in the membership contracts, require membership contracts to look a certain way (such as format and font size), and require members be granted certain termination rights. Some state regulations may also require you to: (1) obtain a bond to protect pre-paid membership fees you collect; (2) staff the Studio during all hours of operation; (3) staff the Studio with one or more persons who are CPR-certified or who have other specialized training; (4) maintain an automated external defibrillator (AED) and other first aid items and equipment at the Studio; and/or (5) charge sales tax on Studio memberships. You should consider these laws and regulations when evaluating your purchase of a franchise.

It is your responsibility to ensure that you are in compliance with all local, state, provincial and federal business, retail sales, zoning, permitting, and other regulations and licensing requirements, and any applicable laws and regulations, and to identify and obtain all authorizations necessary to operate your Studio.

ITEM 2 BUSINESS EXPERIENCE

<u>Co-Founder and Chief Executive Officer: Allison Beardsley</u>
Ms. Beardsley is our co-founder and has been our Chief Executive Officer since our inception in July 2023. She is also the co-founder and CEO of our parent, Red Lite Gym, LLC, and has held that position since its inception in January 2022. Ms. Beardsley has been an instructor and the President of Education at the Red Light Method Studio owned by our parent, in Bentonville, Arkansas, since it opened in August 2022. From October 2018 to July 2022, she was self-employed as a Business Coach. All positions listed here for Ms. Beardsley are located in Bentonville, Arkansas. Ms. Beardsley is the spouse of our CFO, Chris Beardsley.

<u>Co-Founder and Chief Financial Officer: Chris Beardsley</u>
Mr. Beardsley is one of our co-founders. He has been our Chief Financial Officer since our inception in July 2023. He is also the co-founder and CFO of our parent, Red Lite Gym, LLC, and has held that position since its inception in January 2022. Mr. Beardsley has been a Pilot for Lynden Air Cargo since September 2023. From October 2018 to October 2023, he was self-employed and managing personal real estate investments. All positions listed here for Ms. Beardsley are located in Pineville, Missouri. Mr. Beardsley is the spouse of our CEO, Allison Beardsley.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

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

ITEM 5 INITIAL FEES

Franchise Agreement

Initial Franchise Fee. You must pay to us a lump sum "Initial Franchise Fee" of $50,000 to establish a single Red Light Method Studio under a Franchise Agreement. The Initial Franchise Fee is due upon the signing of the Franchise Agreement in the form of a cashier's check, wire transfer or electronic check ("eCheck"). The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstance.

Area Development Agreement

Development Fee. If you wish to develop three (3) Red Light Method Studios, you will sign an Area Development Agreement with us. At the signing of the Area Development Agreement, you will pay us a lump sum development fee ("Development Fee") in the amount of $120,000, in the form of a cashier's check, wire transfer, or eCheck. The Development Fee is fully earned by us when paid and is not refundable, in whole or in part, under any circumstances.

Each time you sign a Franchise Agreement for a Red Light Method Studio, we will credit the amount paid for that Red Light Method Studio as part of the Development Fee against the amount of the Initial Franchise Fee owed for the Red Light Method Studio. The Initial Franchise Fee due for each Red Light Method Studio developed pursuant to an Area Development Agreement is $40,000.

Technology Fee

After you have setup the required business management and POS software system with our designated third-party approved supplier and are ready for presales, which will be approximately four (4) months before the opening of your Studio, you will begin paying us a monthly "Technology Fee" in the amount of $275 by electronic funds transfer ("EFT") for the technology services we provide as part of the System. The technology services we provide may include setting up and managing an internal website, intranet, email accounts, microsites, electronic document storage, educational resources, Google and meta pages, and other technology support. We do not currently charge you a separate setup fee for our technology services. You will continue to pay us the "Technology Fee" throughout the term of your Franchise Agreement. The Technology Fee is not refundable.

ITEM 6 OTHER FEES

Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	Year 1 6% of Gross Sales[1] Years 2 - 10: 6% of Gross Sales[1] or $1,500, whichever is greater.	Payable to us monthly by electronic funds transfer ("EFT")[2] based on your Gross Sales for the preceding calendar month.	You will be required to start paying the Royalty Fee once your Studio begins collecting revenue from operations, including membership pre-sales before your Studio opens for business. We may collect your Royalty Fee on a different

Type of Fee	Amount	Due Date	Remarks
			interval (for example, weekly).
Marketing Fund Contribution[3]	Currently, 2% of Gross Sales.	Same time and manner as the Royalty Fee.	Your Marketing Fund Contributions will begin once your Studio begins collecting revenue from operations, including membership pre-sales before your Studio opens for business.
Local Marketing/ Advertising Expenses[4]	Minimum of $1,000, until you reach and maintain $60,000 in Gross Sales.	Monthly	You must spend at least this amount on local advertising and promotion of the Studio each month.
Ongoing/Refresher Training [5]	$500 to $1,500 per day.	Prior to training.	Additionally, you must pay for your employee's compensation (if applicable), and any travel and living expenses you (and your employees) incur to attend the training.
Late Fees	The lesser of 1.5% per month or the highest rate of interest allowed by law.	Upon demand.	Applies to all amounts not paid when due, until paid in full.
Renewal Fee	$7,777	At time of renewal.	You must renovate and reimage the Studio at your expense at the time of Renewal to conform to our then-current standards and image.
Transfer Fee	$17,777	Before the transfer.	Payable when you sell the Studio. No charge if the Studio is transferred to a corporation or other entity that you control.
Insurance Reimbursement[6]	Amount of unpaid premium. Our estimate for 3 months of the minimum required insurance is $750 - $1,250.	Must have the policies within 60 calendar days after signing the Franchise Agreement, but no later than the time that you acquire an interest in the real property from which you will operate the	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.

Type of Fee	Amount	Due Date	Remarks
		Studio.	
Audit Fees[7]	All costs of or relating to the audit.	As incurred	Payable only if audit is done because of your failure to furnish required reports and information on a timely basis.
Cost of Enforcement or Defense	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will reimburse us for all costs in enforcing our obligations concerning the Franchise Agreement if we prevail.
Indemnification	All costs including attorneys' fees	Upon settlement or conclusion of claim or action.	You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the Studio.
Upgrades and Maintenance[8]	$1,000 - $25,000	At time of modification.	You will make these expenditures for repairs and as we require to comply with modifications to the Red Light Method System, but no more than once every 5 years. Payable to suppliers.
Alternative Supplier Approval[9]	$1,500 per day for personnel engaged in evaluating a supplier.	At time of request.	Additionally, you must reimburse us for any travel, accommodations, and meal expenses.
Support Fee[10]	$3,500 per week	At time of support.	Payable only if you fail to have a trained and certified Designated Operator or general manager ("Studio Manager").
Gift Card Program[11]	Face value of the gift card.	Weekly	You must participate in our Gift Card Program. Gift Cards are available for sale and redemption at any Studio in the System.
Business Management and POS Software Fee[12]	$475 per month	Monthly	We impose this fee, but you will pay this fee directly to the third-party approved supplier.
Technology Fee[13]	$275 per month	Monthly	You will pay us this ongoing fee by EFT[2] for the technology services we provide as part of the System. (See Note 14 for more details.)

Type of Fee	Amount	Due Date	Remarks
Music Streaming Licensing Fee[14]	$30 if paid monthly or $300 if paid annually. Plus, a one-time fee of $149 for a music player.	Monthly or Annual Option	We impose this fee, but you will pay this fee directly to the third-party approved supplier.
Relocation Fee	$5,000	Upon submission of a proposal to relocate	You are not permitted to relocate your Studio without our prior written approval, which may be withheld in our discretion. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement.
Liquidated Damages for Early Termination	The sum of Royalty Fees paid for the 24 months prior to the termination.	On demand.	At our election, we may require you to pay us liquidated damages if you terminate your Franchise Agreement before the end of its term.
Referrizer Loyalty Program Fee[15] (Optional)	$69 per month	Monthly	This fee is optional. We recommend but do not require you to offer this loyalty rewards program to your members. You will pay this fee directly to the third-party approved supplier.
Referrizer Reputation Management Software[16] (Optional)	$69 per month	Monthly	This fee is optional. We recommend but do not require you to use this business review and reputation software. You will pay this fee directly to the third-party approved supplier.

All fees are uniformly imposed by and are payable to us, unless otherwise noted. No other fees or payments are to be paid to us, nor do we impose or collect any other fees or payments for any third party. Any fees paid to us are non-refundable unless otherwise noted. Fees payable to third parties may be refundable based on your individual arrangements.

Notes to Chart for Franchise Agreement:

[1] Gross Sales. The term "Gross Sales" means the total revenues you receive, directly or indirectly, from all business conducted at or in connection with the Studio, including, but not limited to, the sale and pre-sale of memberships, red light therapy sessions, and Power Plate and Pilates classes, all gift cards, and other products and services at or through the Studio, and all proceeds from any business interruption insurance related to the non-operation of the Studio. "Gross Sales" does not include (i) any sales tax and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, or (ii) the value of any allowance issued or granted to any client of the Studio that is credited in good faith by you in full or partial satisfaction of the price of the products or services offered in connection with the Studio.

[2] Method of Payment. You must participate in our then-current electronic funds transfer and reporting program(s). Currently, we collect the Royalty Fee, Marketing Fund Contribution, and any other fees owed to us, through the online business management and point-of-sale ("POS") software that you are required to use in connection with the franchised business. The POS software instantaneously and automatically collects the Royalty Fee, Marketing Fund Contributions, and Technology Fees at the time sales are processed for the Studio and holds them in your operating account with the approved supplier of the business management and POS software. Before the 10th day of each month, we will deduct the amounts you owe to us for the immediately preceding calendar month from your operating account. We may change the method of payment of any fee(s) due to us, at our sole discretion, upon 30 days' notice to you. Your franchised business may be located in a jurisdiction whose taxing authority will subject us to tax assessments on payments you submit to us for the Royalty Fee and Marketing Fund Contributions. Under such circumstances, you will be required to adjust, or "gross up" your payment to us to account for these taxes.

[3] Marketing Fund Contribution. We have established a national advertising and marketing fund (the "Marketing Fund") and you will be required to make a contribution every month to such fund ("Marketing Fund Contribution") beginning the day you start receiving payments for services and products in connection with the Studio, which may be before the Studio first opens for business (e.g., presales). The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the internet; social media; administration expenses; brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Studios and the Red Light Method brand; agency and consulting services; research; and any expenses approved by us and associated with your Studio. We will have sole discretion over all matters relating to the Marketing Fund. We may increase or decrease the Marketing Fund Contribution upon thirty (30) days' written notice to you; however, no increase will exceed three percent (3%) of your Gross Sales. You must pay for your own local advertising.

[4] Local Marketing/Advertising Expenses. We recommend that you spend more than the required minimum amount on local marketing in the first year or until you reach monthly Gross Sales of $60,000. When/if you reach Gross Sales of $60,000 per month, you will not be required to continue spending the minimum amount each month. However, if your Gross Sales drop below $60,000 per month, then you must resume spending the minimum monthly amount on marketing and advertising expenses.

[5] Ongoing/Refresher Training. From time to time, we may offer system-wide ongoing or refresher training to our franchisees for a reasonable fee, such training may include courses, meetings, seminars and

conventions. You agree to personally attend or have your designated Studio Manager (if approved by us) attend any and all required ongoing or refresher training.

[6] Insurance Reimbursement. The minimum limits for coverage under many policies will vary depending on several factors, including the size of your Studio. See Item 8 of this disclosure document for our minimum insurance requirements.

[7] Audit Fees. Costs relating to the audit will include, without limitation, travel, lodging, wages, and reasonable accounting and legal expenses. These costs will be in addition to any other remedies that we may have under the Franchise Agreement or law.

[8] Upgrades and Maintenance. You must promptly repair or replace defective, worn-out or obsolete equipment, signage, fixtures or any other item of the interior or exterior of the Studio that is in need of repair, refurbishing or redecorating in accordance with our established standards, which may be updated from time to time, or as may be required by your lease. We may require you to thoroughly modernize or remodel the Studio during the term of your Franchise Agreement, but no more than once every 5 years. This may include replacing the red light therapy wraps, Power Plate equipment and Pilates reformers, and other updates and improvements. We may change or modify the System that is presently identified by the Marks including, the adoption and use of new or modified Marks or copyrighted materials. You may be responsible for any reasonable conversion costs.

[9] Alternative Supplier Approval. You may request the approval of an item, product, service or supplier. We may require you to pre-pay any reasonable charges connected with our review and evaluation of any proposal.

[10] Support Fee. We may charge you this fee weekly until you have a replacement or successor Designated Operator, or Studio Manager, attend and successfully complete the required training. (See Item 11 for details.)

[11] Gift Card Program. We have established a Gift Card Program. You must report weekly to us the total amounts for all gift card "sales" and "redemptions" transactions with your customers. You will keep the total proceeds from gift card "sales" in your account until the gift card is redeemed. We will reconcile your account with us in accordance with the then-current Gift Card Program policies and practices regarding the allocation of funds generated from the sale of gift cards, as set forth in the Manual or elsewhere by us. Upon termination of your Franchise Agreement and non-renewal, you must comply with all federal, state and local laws pertaining to any outstanding gift cards sold at the Studio that were not redeemed before the termination of the Franchise Agreement. This may include returning the funds collected for each outstanding gift card to the applicable customer or state.

[12] Business Management and POS Software Fee. You are required to use the business management software, with an online scheduling and POS system, designated by us, in the operation of your Studio.

[13] Technology Fee. This fee helps cover the costs and expenses associated with developing, implementing, licensing or otherwise using and integrating the technology we determine appropriate to provide as part of the System or otherwise in connection with your Studio and/or Studio network. The technology services we provide may include setting up and managing an internal website, intranet, email accounts, microsites, electronic document storage, educational resources, Google and meta pages, and other technology support.

[14] Music Streaming Licensing Software Fee. We have designated an independent, third-party company that provides music streaming services, which you are required to use in the operation of the Studio.

[15] Referrizer Loyalty Program Fee. Referrizer is an independent, third-party company that provides a loyalty-marketing platform that allows you to customize a loyalty program with rewards to engage your members. If you elect to use this loyalty program, you will set up an account with Referrizer and pay them directly for their services.

[16] Referrizer Reputation Management Software. This software automatically engages customers, collects members reviews, and protects your online reputation. Referrizer is an independent, third-party company. If you elect to use this software, you will set up an account with Referrizer and pay them directly for the license to use their software.

Area Development Agreement

Type of Fee[1]	Amount	Due Date	Remarks
Assignment Fee [2]	Our incurred legal fees.	On submitting application for consent to assignment	Payable when you want to sell/transfer the rights under your Area Development.
Indemnification	All costs, including attorneys' fees	As incurred	You must reimburse us for all damages arising from your activities.

Notes to Chart for Area Development Agreement:

[1] All fees are nonrefundable; the fees are cumulative of the fees you pay under each Franchise Agreement in connection with the operation of each Red Light Method Studio.

[2] These fees are imposed by and are payable to us.

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ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A STUDIO

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[2]	$50,000	Lump Sum, by cashier's check, wire, or eCheck	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training[3]	$0 - $6,000	As arranged	As incurred during training	Transportation Carriers, Hotel Facilities, etc.
Real Estate/Lease (3 months + deposit)[4]	$6,000 - $90,000	As arranged	Before Opening	Landlord
Build-Out/Leasehold Improvements[5]	$0 - $100,000	As arranged	Before Opening	Approved Suppliers and Contractors
Studio Equipment[6]	$190,000 - $245,000	As arranged	Before Opening Date (when order placed)	Approved Suppliers and Vendors
Opening Inventory[7]	$2,000 - $10,000	As arranged	Before Opening	Approved Suppliers and Vendors
Furniture, Fixtures and Related Supplies[8]	$5,000 - $12,000	As arranged	Before Opening	Approved Suppliers and Vendors
Signage[9]	$2,000 - $12,000	As arranged	Before Opening	Approved Suppliers
Insurance[10] (3 months)	$750 - $1,250	As Arranged	Before Opening	Insurance Carrier
Utility Deposits[11]	$0 - $1,000	As arranged	Before Opening	Utility Suppliers
Business Licenses and Permits[12]	$500 - $5,000	As arranged	Before Opening	Local, State or Federal Government
Computer System, including POS System[13]	$3,000 - $10,000	As arranged	Before Opening	Approved Suppliers and Vendors
Technology Fees[14] (7 months)	$1,925	EFT	Monthly, before and after opening	Us
Professional Fees/Services[15]	$500 - $10,000	As arranged	As incurred, varied times	Lawyers, Accountants, etc.
Grand Opening Expenses[16]	$0 – $10,000	As arranged	As incurred, varied times	Vendors
Additional Funds – 3 months[17]	$15,000 - $50,000	As arranged	As incurred, varied times	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT	**$276,675 - $614,175**			

All amounts are non-refundable unless otherwise noted.

YOUR ESTIMATED INITIAL INVESTMENT FOR FIRST STUDIO UNDER AN AREA DEVELOPMENT AGREEMENT

TYPE OF EXPENDITURE [1]	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee[2]	$120,000	Lump Sum, by cashier's check or eCheck	At signing of Franchise Agreement	Us
Travel and Living Expenses While Training[3]	$0 - $6,000	As arranged	As incurred during training	Transportation Carriers, Hotel Facilities, etc.
Real Estate/Lease (3 months + deposit)[4]	$6,000 - $90,000	As arranged	Before Opening	Landlord
Build-Out/Leasehold Improvements[5]	$0 - $100,000	As arranged	Before Opening	Approved Suppliers and Contractors
Studio Equipment[6]	$190,000 - $245,000	As arranged	Before Opening Date (when order placed)	Approved Suppliers and Vendors
Opening Inventory[7]	$2,000 - $10,000	As arranged	Before Opening	Approved Suppliers and Vendors
Furniture, Fixtures and Related Supplies[8]	$5,000 - $12,000	As arranged	Before Opening	Approved Suppliers and Vendors
Signage[9]	$2,000 - $12,000	As arranged	Before Opening	Approved Suppliers
Insurance[10] (3 months)	$750 - $1,250	As Arranged	Before Opening	Insurance Carrier
Utility Deposits[11]	$0 - $1,000	As arranged	Before Opening	Utility Suppliers
Business Licenses and Permits[12]	$500 - $5,000	As arranged	Before Opening	Local, State or Federal Government
Computer System, including POS System[13]	$3,000 - $10,000	As arranged	Before Opening	Approved Suppliers and Vendors
Technology Fees[14] (7 months)	$1,925	EFT	Monthly, before and after opening	Us
Professional Fees/Services[15]	$500 - $10,000	As arranged	As incurred, varied times	Lawyers, Accountants, etc.
Grand Opening Expenses[16]	$0 – $10,000	As arranged	As incurred, varied times	Vendors
Additional Funds – 3 months[17]	$15,000 - $50,000	As arranged	As incurred, varied times	Employees, Vendors, Utilities
TOTAL ESTIMATED INITIAL INVESTMENT	**$346,675 - $684,175**			

All amounts are non-refundable unless otherwise noted.

NOTES TO CHARTS FOR YOUR INITIAL INVESTMENT:

[1] General. All amounts payable to us are nonrefundable, unless otherwise noted. Amounts payable to suppliers/vendors may be refundable according to arrangements you make with the supplier/vendor. These figures are estimates of the range of your initial costs in the first 3 months of operation only. We do not offer direct or indirect financing, but leasing and financing may be available for many of the above expenses through third-party lenders.

[2] Initial Franchise Fee and Development Fee**.** The Initial Franchise Fee and Development Fee (if applicable) are due in full at the signing of the applicable agreement and are non-refundable. The Development Fee disclosed is for three (3) Studios. The Initial Franchise Fee will be reduced to $40,000 for Studios under an area Development Agreement. The Development Fee will be credited to the Initial Franchisee Fee due for each of the Studios developed under the Area Development Agreement at the signing of the Franchise Agreement. Please see Item 5 of this disclosure document for more detailed information on the Initial Franchise Fee and the Development Fee. We do not provide financing for the Initial Franchise Fee or Development Fee.

[3] Travel and Living Expenses while Training. You must pay for all costs incurred by you while attending training (e.g., transportation, meals, lodging and other expenses). The amount you will spend while training will depend on several factors, including the number of persons attending, the distance you must travel and the type of accommodations you choose, if any are needed. Currently, we do not require, but recommend that you attend one to two weeks of training at our Red Light Method Studio in Bentonville, Arkansas. Alternatively, you may elect to take your training online. If you take your training online, you will not incur these expenses, which is reflected in the low end of the range.

[4] Real Estate/Lease. If you do not own adequate Studio space, you must lease suitable premises. These figures assume that the leased premises for a Studio will be 1,500 to 2,500 square feet. The Classic Model is typically 1,500 to 2,000 square feet and the Pilates Model is typically 2,000 – 2,500 square feet. The figures assume base monthly rental rates ranging from $1 to $9 per square foot for a Studio. Landlords may also vary the base rental rate and charge rent based on a percentage of gross sales. In addition to base rent, the lease may require you to pay common area maintenance charges ("CAM Charges"), your pro rata share of the real estate taxes and insurance, and your pro rata share of HVAC and trash removal. The actual amount you pay under the lease will vary depending on the size of the Studio, the types of charges that are allocated to tenants under the lease, your ability to negotiate with landlords, and the prevailing rental rates in the geographic area. You may also be required to pay a security deposit equal to a month's rent. The estimate covers the first 3 months of operation, and 1 month's rent as a security deposit.

Since rental, improvement and other real-estate-related costs can vary significantly by area, it's your responsibility to (1) independently research all applicable laws and regulations, and real estate market conditions and costs, where you plan to locate and operate your facility, and (2) obtain appropriate advice from your own accountant, attorney and real estate professional, before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

[5] Build-Out/Leasehold Improvements. The low-end of this range assumes that your landlord may perform certain improvements or provide you with a tenant improvement allowance, which may offset, in whole, or in part, the construction and build-out costs for the Studio. The high-end assumes that you do not receive any financial contribution from your landlord for improvements. The cost of build-out/leasehold improvements will vary depending on: (i) your locale; (ii) the size and configuration of the premises; (iii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures);

and (iv) availability and cost or materials and labor, which may vary based on geography and location. You must adapt our prototypical plans and specifications for the construction and finish-out of the Studio. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. If you lease in an historic site or an older building, you may also face significantly increased costs for special construction needs. These amounts may also vary depending on whether certain of these costs will be incurred by the landlord and allocated over the term of the lease. Some locations, because they are unique or in desirable, high traffic areas, may not offer any discounts or tenant improvement allowances. This is an important factor for you to consider in choosing a location. You should research potential tenant improvement costs with your real estate broker and prospective landlord and consult with a qualified, licensed contractor for cost estimates specific to your site before signing your lease.

[6] Studio Equipment. You must purchase the Studio equipment from Approved Suppliers and vendors. The equipment for a Classic Model Studio includes 10 sets of red light therapy pads/wraps, 10 Power Plates, and small miscellaneous fitness accessories (such as dumbbells, balance balls, resistance bands, mats, etc.) and costs approximately $190,000 to $205,000. The equipment for a Pilates Model Studio includes 10 sets of red light therapy pads/wraps, 6 Power Plates, 10 Pilates reformers, and small miscellaneous fitness accessories, and cost approximately $220,000 - $ 235,000. You may also elect to add an optional far-infrared sauna to your Studio, which will cost an additional $5,000 - $10,000. The low end of the Studio Equipment range provided in the table(s) above represents the cost for the minimum required equipment for the Classic Model and the high end represents the cost for the Pilates Model with an additional set of red lights and a far-infrared sauna.

[7] Opening Inventory. We do not currently require you to purchase an opening inventory of products but may do so in the future. Such opening inventory would include branded coffee mugs, t-shirts, water bottles, etc. You will purchase these items directly from Approved Suppliers and vendors.

[8] Furniture, Fixtures and Related Supplies. This is a range of expenses that will be incurred when decorating and furnishing the Studio, including office expenses. Some examples of these expenses include a front desk, massage tables, noise-cancelling headphones, speakers, and a TV. These expenses will be approximately $5,000 - $10,000 for the Classic Model and $7,000 - $12,000 for the Pilates Model. Both the low-end and the high-end numbers represent a straight purchase of all furniture, fixtures and related supplies.

[9] Signage. You will need to purchase appropriate signage for your Studio that we approve. The cost of your signage may be more or less than this estimate, and depends on the size, type and method of installation you choose. Each location may have different restrictions it places on interior and exterior signage that may affect your costs.

[10] Insurance. This estimate is for 3 months of your minimum required insurance. The actual cost may be more than shown here. You will need to check with your insurance carrier for actual premium quotes and costs, and for the actual amount of deposit. Insurance costs can vary widely, based on the area in which your business is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage, and other factors beyond our control. You should obtain appropriate advice from your own insurance professional before signing any binding documents or making any investments or other commitments, whether to us or anyone else.

[11] Utility Deposits. Typically, a utility deposit will be required only if you are a new customer of the utility company. If you currently have an account with the utility company, you may not be required to pay a

deposit.

[12] Business Licenses and Permits. This range of costs covers the expense to acquire the required local business licenses and permits, which will vary depending on the location of your Studio. Our estimated costs include a local business license(s), building permits, fire inspection, sales tax permit, retail sales permits, and electrical permits (if necessary). You should investigate applicable requirements in your area and the related costs, including receiving advice from regulatory agencies and your own lawyer, before making any commitments, whether to us or anyone else.

[13] Computer System, including POS System. You must acquire at least one desktop or laptop computer and multiple tablet computers (one for each treatment room) for use in the operation of the Studio. Your computer system must be equipped with a high-speed connection to the Internet and must include a local area network with a dedicated server. You must install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, and the online POS reporting system designated by us. The cost of the online business management, CRM, scheduling and POS system through our approved supplier is $475 per month. You are solely responsible for obtaining your own employee-scheduling software. Accounting software, such as, "QuickBooks," will cost you approximately $29 per month. You are responsible for setting up an account with the approved suppliers and/or vendors and paying them directly for their services. The range disclosed in the table(s) above includes the estimated cost for 2 computers, 10 - 20 tablet computers and headphones for the tablets, a printer, security system with cameras, 3 months of fees for the required online business management and POS system software, QuickBooks, music streaming service, and Internet service, and setup fees if applicable. The Classic Model Studio will need 10 inexpensive tablets and the Pilates Model will need 20 tablets (10 expensive and 10 inexpensive). Please see Item 11 of this disclosure document for more information on the Computer System.

[14] Technology Fees. You must pay us a "Technology Fee" in the amount of $275 per month for technology services we provide to you, which may include setting up and managing an internal website, intranet, email accounts, microsites, electronic document storage, educational resources, Google and meta pages, and other technology support. This range covers 7 months of technology fees, including 4 months prior to opening and 3 months once you are open for business.

[15] Professional Fees/Services. Professional fees include payments to attorneys, accountants, and other consultants. We strongly recommend that you engage the services of an attorney and/or accountant to assist you in evaluating this franchise offering. You may also wish to use an attorney to assist you in lease negotiations and/or to form an entity to own the franchise. Your costs may vary depending on how much you rely on your chosen advisors and the hourly rates your advisors charge.

[16] Grand Opening Expenses. This is an optional expense. We do not require you to have any grand opening events or spend any amount on "Grand Opening" advertising, marketing, and promotion.

[17] Additional Funds. This is an estimate of certain funds needed to cover your business (not personal) expenses during the first three months of operation of the Studio. These expenses include initial employee wages, management compensation (but not any draw or salary for you), ongoing purchases of equipment and supplies, marketing fees, continuing improvement of the Studio's physical features, local advertising, utilities, repairs and maintenance. This estimate is based on our parents' experience in owning and operating a Red Light Method Studio for one year.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods and Services

To ensure consistency, quality and uniformity throughout the System, you must purchase your Studio equipment, including red light therapy wraps, Power Plate equipment, Pilates reformers, and other related equipment, fixtures, signs, and other required products and supplies, including light and vibration plate supplies, used in the Studio from suppliers that we approve ("Approved Suppliers"), or under specifications in the Manual. These specifications include standards for performance, maintenance, design, and appearance.

You must purchase a computer system, including computer hardware and software, business management systems, and a point-of-sale ("POS") reporting system (collectively, the "Computer System") according to our specifications and standards and as required by the Franchise Agreement. The component parts of the computer system must be purchased from approved suppliers.

You must purchase and maintain insurance coverages for the Studio in accordance with our requirements and specifications and furnish us with copies of all insurance policies required by the Franchise Agreement, or such other evidence of insurance coverage and payment of premiums as we request or permit.

Required and Approved Suppliers

You must follow the standards and specifications we periodically establish for certain equipment, supplies, computer hardware and software, and indoor and outdoor signs required for the Studio. You must purchase from Approved Suppliers and suppliers who meet our quality specifications. We will provide you with information regarding one or more suppliers for each specified product/service.

We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. These suppliers may include, and may be limited to, us or an affiliate of ours. We are the sole Approved Supplier of certain technology services that you are required to purchase (i.e., Technology Fees). We are not currently an Approved Supplier of any other products or services that you are required to purchase. On notice by us, you will immediately cease and desist from using/offering any equipment, products, and/or services otherwise not authorized by us. (Franchise Agreement, Section 8.4)

We do not currently have Approved Suppliers for architecture, design, engineering or project management. However, you must receive our approval before hiring anyone.

Approval of Alternate Suppliers

You can request the approval of an item, product, service, or supplier by notifying us in writing and submitting such information and/or materials we may request. We may charge you a fee of $1,500 per day for any personnel we engage in evaluating a supplier at your request. Additionally, you must reimburse us for our travel, accommodations and meal expenses. We will notify you in writing of our approval or disapproval within 90 days after you make a written request. (Franchise Agreement, Section 8.4C.)

We may condition and/or revoke our approval of particular items or suppliers as we choose. Our criteria for supplier approval are available to you upon request. Designation of a supplier may be conditioned on factors established by us in our business judgment, including, without limitation, performance relating to quality of results, accuracy of results, frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may approve, or revoke or deny approval, of particular items or suppliers in our business judgment. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers in our business judgment. There is no assurance that we will designate more than one supplier for any item, including items for which we are the only designated supplier.

All specifications, standards, approved items and suppliers are described in the Manual issued to you and through other written communications from us to our franchisees and Approved Suppliers. We may periodically update and alter our standards and specifications and add to or delete from the list of products and services authorized for sale at the Studio; notification of such changes will be provided to you in writing by us.

Approvals of an alternative supplier, or any supplier, may be revoked by us at any time, in our sole discretion, for reasons that include, but are not limited to, quality and service deficiencies by the supplier, a desire to consolidate purchases with a different supplier, financial problems or insolvency of the supplier, and other reasons. We will notify you in writing if we revoke approval of any alternative supplier and you must immediately cease and desist from using such supplier upon receipt of our written notice.

Insurance

You are obligated to obtain and maintain, at your sole expense, all of the insurance coverages that we require. Your policy or policies must be written by an insurance company licensed in the state in which you operate the Studio. The insurance company must have at least an "A" Rating Classification as indicated in A.M. Best's Key Rating Guide, in accordance with standards and specifications set forth in the Manual. The standards may vary depending on the size of your Studio and/or other factors, such as what is customary for businesses of your type in your area, but we typically require:

(i) All "Risks" or "Special" form coverage insurance on the Studio equipment, furniture, fixtures, other equipment, supplies and other property used in the operation of the Studio;

(ii) Workers' Compensation and Employer's Liability Insurance with statutory limits, as required by law in the jurisdiction where the Studio is located. Employers Liability or "Stop Gap" insurance, with limits of not less than $1,000,000 each accident;

(iii) Commercial General Liability Insurance, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the Studio including general aggregate coverage in the following limits:

Required Coverage	Minimum Limits of Coverage
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Damage to Rented Premises (each occurrence)	$100,000
Medical Expense (any one person)	$2,500

(iv) Business Interruption Insurance with coverage for a least 12 months for actual losses; and

(v) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or otherwise determined by Franchisor and communicated to Franchisee.

We reserve the right from time to time to upgrade the insurance requirements as to policy limits, deductibles, scope of coverage, rating of carriers, etc. We will provide you with written notice of any change in our insurance requirements. You will have 60 days from receipt of such notice to revise your coverage, as specified in the notice.

Your insurance must name us as an additional insured and contain a clause requiring notice to us thirty (30) days in advance of any cancellation or material change to any such policy. The “Additional Insured Endorsement” must be approved in writing by us. You must maintain such additional insured status for us on your general liability policies continuously during the term of the Franchise Agreement.

Our Ownership Interest in a Supplier

We are the Approved Supplier of certain technology services (i.e., Technology Fees), which you are required to purchase from us. Our CEO and CFO have an ownership interest in us.

Revenues from a Supplier

Currently, neither we nor our affiliates derive revenue from any Approved Supplier or other suppliers. We have the right to receive promotional allowances and rebates, commissions, and other consideration from suppliers.

Revenue from Franchisee Purchases

We will derive revenue from our franchisees paying us for required technology services (i.e., Technology Fees).

During the fiscal year ended June 30, 2023, we did not receive any revenue or other material benefits from required purchases or leases by you. We estimate that your required purchases, purchases from Approved Suppliers and purchases that must meet our specifications will be about 64% to 75% of your total purchases to establish the Studio and about 10% to 20% of your purchases to continue the operation of the Studio.

Cooperatives

We do not currently operate or sponsor any purchasing cooperatives, nor do we plan to organize any in the future. When possible, we attempt to negotiate bulk purchasing discounts with suppliers on behalf of our franchisees.

Material Benefits

Other than demonstrating compliance with System Standards, and adherence to the Manual, your use of an Approved Supplier will have no bearing on your right to purchase additional franchises, or to exercise any option to renew an existing franchise.

Negotiated Prices

We may negotiate volume purchase agreements with some vendors or Approved Suppliers for the purchase of goods and equipment needed to operate the Studio.

Area Development Agreement

The Area Development Agreement does not require you to buy or lease from us or any designated or approved suppliers, any goods, services, supplies, fixtures, computer hardware and software, or real estate, according to our specifications. However, you must follow our requirements under the Franchise Agreement for each Studio you develop.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site Selection and acquisition/lease	Sections 1.2, 6.1, 6.2 and 7.2 of Franchise Agreement Section III(d) of Area Development Agreement	Items 11 and 12
b. Pre-opening purchases/leases	Sections 6.1, 6.2, 7.2 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 6.1 and 6.2 of Franchise Agreement Section VI of Area Development Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Section 6.3 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 11
e. Opening	Sections 2.2 and 6.9 of Franchise Agreement None in Area Development Agreement	Item 11
f. Fees	Sections 3.2, 5, 9.1 and 14.2 of Franchise Agreement Section III of Area Development Agreement	Items 5, 6 and 7

Obligation	Section in Agreement	Disclosure Document Item
g. Compliance with standards and policies / Operating Manual	Sections 1.2, 2.2, 4.2, 6.4, 6.6, 6.7, 7.1, 7.3, 7.4, 8.7 and 9.3 of Franchise Agreement Section VI of Area Development Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.1, 4, and 12.1 of Franchise Agreement Section VII of Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.3, 2.1, 2.2, 7.1, 8.1 and 8.4 of Franchise Agreement None in Area Development Agreement	Items 8 and 16
j. Warranty and customer service requirements	Sections 8.8 and 15.2 B(12)of Franchise Agreement None in Area Development Agreement	Not Applicable
k. Territorial development and sales quotas	Section 8.8 of Franchise Agreement None in Area Development Agreement	Item 12
l. Ongoing product/service purchases	Sections 8.4 and 10.3 of Franchise Agreement None in Area Development Agreement	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 3.2 and 7.4 of Franchise Agreement None in Area Development Agreement	Items 6 and 17
n. Insurance	Section 10.4 of Franchise Agreement None in Area Development Agreement	Items 6, 7 and 8
o. Advertising	Sections 5.5 and 9 of Franchise Agreement None in Area Development Agreement	Items 6 and 11
p. Indemnification	Sections 8.5 and 11.2 of Franchise Agreement Section XII of Area Development Agreement	Item 6
q. Owner’s participation/ management/staffing	Sections 6.3 and 8.6 of Franchise Agreement None in Area Development Agreement	Item 15
r. Records and reports	Sections 10.1 and 10.3 of Franchise Agreement Section VI(c) of Development Agreement	Item 11
s. Inspections and audits	Sections 8.2 and 10.2 of Franchise Agreement None in Area Development Agreement	Items 11
t. Transfer	Section 14 of Franchise Agreement Section IX of Area Development Agreement	Items 6 and 17
u. Renewal	Section 3.2 of Franchise Agreement None in Area Development Agreement	Item 17
v. Post-termination obligations	Sections 13.1 and 15.4 of Franchise Agreement Section X of Area Development Agreement	Item 17
w. Non-competition covenants	Sections 12.2 and 13 of Franchise Agreement Section X of Area Development Agreement	Item 17

Obligation	Section in Agreement	Disclosure Document Item
x. Dispute resolution	Section 16 of Franchise Agreement Section XIX of Area Development Agreement	Item 17
y. Other: Guarantee of Performance	Section 2.2B. and Exhibit 4 of Franchise Agreement Section XX and Exhibit C of Area Development Agreement	Item 15

ITEM 10 FINANCING

We do not offer 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.

A. **Pre-Opening Assistance**

Before you open the Studio:

1. We will provide you with training within the 30 calendar-day period preceding the opening date of the Studio. You and your designated Studio Manager must attend and complete, to our satisfaction, our initial training program, which is offered in person or online. We will determine whether you and your Studio Manager have satisfactorily completed our initial training. To satisfactorily complete our initial training program, you must attend all the scheduled training and pass the written test given at the end of the training with a score of 90% or higher. If you do not satisfactorily complete training, we may terminate the Franchise Agreement. At any time throughout the term of the Franchise Agreement, you fail to have any replacement or successor Designated Operator or Studio Manager attend the mandatory training and be certified as meeting our requirements, we may charge you a Support Fee of $3,500 per week until a replacement Designated Operator or Studio Manager successfully completes our required training. (Franchise Agreement, Section 5.9) You must pay for all expenses you and your Studio Manager and other personnel incur for any training program, including costs of travel, lodging, meals and wages. (Franchise Agreement, Section 6.3A)

2. We will provide to you our current written Site Selection Guidelines and will work with you to select a site for the Studio. You will purchase or lease or Studio location from an independent third party. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities that attract consumers and generate traffic. (Franchise Agreement, Sections 1.2 and 6.1)

If you locate a site, we will approve or disapprove the site within 30 days after receipt of the Location Report from you. We use a software program to evaluate the demographics of a market area for site selection acceptability. If we cannot agree on a site, we may extend the time for you to obtain a site, or we may cancel the Franchise Agreement. (Franchise Agreement, Section 1.2) If your Franchise Agreement is canceled, you will not receive a refund of the Initial Franchise Fee. The Initial Franchise Fee is fully earned by us upon payment and is not refundable, in whole or in part, under any circumstance (Franchise Agreement, Section 5.1)

If you sign an area Development, you will submit a separate Location Report for our approval or disapproval of a site for each Studio to be established within your Designated Territory. We will approve or disapprove the site within 30 days after receipt of the Location Report from you. Our then-current standards for site approval will apply when you submit a Location Report to us. Currently, we use a software program to evaluate the demographics of a market area for site selection acceptability.

3. Concurrently with the execution of your Franchise Agreement, we will loan you one copy of the Manual, which contains mandatory and suggested specifications, standards and procedures. The Manual is confidential and remains our property. We may modify the Manual. (Franchise Agreement, Section 6.4) The Manual consists of approximately 105 pages. The Table of Contents of the Manual is attached to this disclosure document as **Exhibit D.**

4. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with specifications for the layout and design of the Studio (Franchise Agreement, Sections 6.2 and 7.1).

5. Within 30 calendar days of execution of your Franchise Agreement, we will provide you (through the Manual or otherwise) with a list of the red light therapy, Power Plate, and Pilates equipment, and other equipment, standard fixtures, furnishings, supplies, and signs to be used in the Studio, as well as a list of Approved Suppliers (Franchise Agreement, 6.6). We do not provide, deliver or install any of these items for or to you.

6. We will license you the use of our trademarks (Franchise Agreement, Section 4.2).

7. We will consult and advise you on the advertising, marketing and promotion for the grand opening of the Studio. (Franchise Agreement, 6.9)

8. We will conditionally commit to grant you (if you have signed an area Development Agreement) a franchise for each Studio that you develop under your Area Development Agreement, provided that you comply with the terms and conditions of that agreement and each of the Franchise Agreements between you and us. (Area Development Agreement, Sections I, III and IV)

We are not required to provide any other service or assistance to you before the opening of the Studio.

B. **<u>Typical Length of Time Before Operation</u>**

We will authorize the opening of your Studio when (i) all of your pre-opening obligations have been fulfilled, (ii) pre-opening training has been completed, (iii) all amounts due us have been paid, (iv) copies of all insurance policies (and payment of premiums) and all other required documents have been received by us, and (v) all permits have been approved. The length of time between the signing of the Franchise Agreement, and payment of your initial franchise fees, and the opening of your Studio must be within nine (9) months. In certain instances, and in our sole discretion, we may extend the opening time an additional six (6) months.

If you are operating under an area Development Agreement, you must open multiple Studios according to your development schedule, which may extend over several years, depending on the number of Studios you have committed to develop.

C. **Our Obligations During the Operation of the Franchised Business**

During the operation of the franchised business:

1. We will specify or approve certain equipment and suppliers to be used in the Studio (Franchise Agreement, Sections 6.6 and 7.1).

2. We will provide additional training to you and any of your employees at your request. You are responsible for any and all costs associated with such additional training (Franchise Agreement, Section 6.3).

3. We may, subject to the laws in your state, require fixed minimum or maximum prices for any products or services offered at the Studio. We will take into account cost differences among regions and localities. You must use the pricing required by us, unless we consent to changes in local pricing offered by you. (Franchise Agreement, Section 6.7)

4. If you do not obtain and maintain appropriate insurance coverage, we may procure the coverage on your behalf. We will pass the cost onto you. (Franchise Agreement, Section 10.4D)

5. We may institute various programs for auditing customer satisfaction and/or other quality control measures. (Franchise Agreement, Section 8.2)

6. We (or our designee) will maintain and administer an advertising, publicity and marketing fund (the "Marketing Fund") to promote Red Light Method Studios and the brand. (Franchise Agreement, Section 9.1)

7. We may provide regular consultation and advice to you in response to inquiries from you regarding administrative and operating issues that you bring to our attention. We may make recommendations that we deem appropriate to assist your efforts. (Franchise Agreement, Section 6.5)

8. We will manage the customer gift card program (the "Gift Card Program") among Red Light Method franchisees and affiliate/company-owned Studios. (Franchise Agreement, Section 10.5)

D. **The Marketing Fund and Advertising**

We have established a Marketing Fund. You are required to make a contribution ("Marketing Fund Contribution") equal to two percent (2%) of your Gross Sales to the Marketing Fund. The Marketing Fund Contribution will begin the day Franchisee starts receiving payments for services and products in connection with the Studio, which may be before the Studio first opens for business. You will pay the Marketing Fund Contribution to us at the same time and in the same manner as the Royalty Fee. The Marketing Fund Contribution may be increased or decreased, at our discretion, but no increase will exceed three percent (3%) of your Gross Sales. We will give you at least thirty (30) days written notice before any increase in the Marketing Fund Contribution. Red Light Method Studios owned by us or our affiliates are not obligated to contribute to the Marketing Fund. We will manage the Marketing Fund and have sole discretion over all matters relating to it.

We will direct all public relations, advertising and promotions with sole discretion over the message, creative concepts, materials and media used in the programs and the placement and allocation thereof. We will pay for these activities from the Marketing Fund. The Marketing Fund Contributions may be used for traditional advertising activities, such as website development, social media, public relations, advertising campaigns (television, radio, print or other media), or other promotions which will raise awareness of the Red Light Method brand. Advertising may be prepared in-house or by a national or regional advertising agency.

We are not obligated to ensure that Marketing Fund activities or dollars are spent equally, on a pro rata basis, either on your Studio, or all Red Light Method Studios in an area. No funds in the Marketing Fund are used for advertising that is principally a solicitation for the sale of franchises, but we may include a brief statement regarding the availability of Red Light Method franchises in advertising and other items produced using the Marketing Fund. (Franchise Agreement, Section 9.1.B.)

Disbursements from the Marketing Fund will be made solely for the payment of expenses incurred in connection with the general promotion of the Marks and the System, including the costs of formulating, developing and implementing advertising and promotional campaigns; and the costs of administering the Marketing Fund, including accounting expenses and the actual costs of salaries and fringe benefits paid to our employees engaged in administration of the Marketing Fund. The Marketing Fund is not a trust or escrow account, and we have no fiduciary obligations regarding the Marketing Fund. We may audit the Marketing Fund; although, we have no obligation to do so. Upon written request, we will provide you with an annual unaudited statement of the receipts and disbursements of the Marketing Fund.

We are not required to spend all Marketing Fund contributions in the fiscal year they are received. If excess amounts remain in the Marketing Fund at the end of the fiscal year, all expenditures in the following fiscal year(s) will be made first out of any current interest or other earnings of the Marketing Fund, next out of any accumulated earnings and finally from principal.

You agree to participate in all Marketing Fund programs. The Marketing Fund may furnish you with marketing, advertising, educational, and promotional materials; however, we may require that you pay the cost of producing, shipping, and handling for such materials.

We are a new franchisor and have not yet collected any Marketing Fund Contributions. Therefore, during our fiscal year ended June 30, 2023, the Marketing Fund spent 0% of its contributions on production, 0% on media and public relations, 0% on administrative expenses, 0% on sponsorships, and 0% on internet related matters.

We have no obligation to spend any amount on advertising in your market area or territory. You are responsible for local marketing activities to attract customers to your Studio. You may develop advertising materials for your own use, at your own cost. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. You must first obtain our advanced written approval before any form of co-branding, or advertising with other brands, products or services. (Franchise Agreement, Section 9.2)

You must strictly follow the social media guidelines, code of conduct, and etiquette as set forth in the Manual regarding social media activities. Any use of Social Media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. You will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual. (Franchise Agreement, Section 9.3)

We do not require you to participate in any local or regional advertising cooperative. We have no plans to implement any such cooperatives.

We reserve the right, if necessary and in our sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of Red Light Method franchisees for the purpose of providing us with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority. We have the power to form, change, or dissolve any such advertising council. (Franchise Agreement, Section 9.5)

E. **Training**

Within the 30 calendar-day period preceding the opening of the Studio, we will provide you (or your Designated Operator if the Franchisee is an entity) and your Studio Manager with a mandatory Initial Training Program. We offer the Initial Training Program at our training facility located in Bentonville, Arkansas (or at a location later designated by us) and online. You may elect to receive some or all of your training online; however, we highly recommend you attend training in person. We do not charge you a fee for the Initial Training Program if you and your Studio Manager receive training at the same time. If the franchisee is a business entity, then the Designated Owner(s) named in the Franchise Agreement and the Studio Manager must successfully complete the Initial Training Program and any additional required training, and also comply on an ongoing basis with all training requirements to our satisfaction. Subject to availability, and with our approval, you may have additional employees attend the Initial Training Program, simultaneously with you, at no additional charge. However, you are responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with training for you and your employees.

If you elect to take the Initial Training Program in person at our training facility in Bentonville, Arkansas (or at a location later designated by us), you will receive approximately 3 to 5 days of on-the-job training. The training covers the basic aspects of establishing and operating a Red Light Method Studio, including red light therapy wrap techniques, use of the Power Plates and Pilates reformers (if applicable), and other related services and products provided at the Studio, the Computer System, including the class scheduling and POS systems, forms, cost control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards. You and your Studio Manager must attend, in person or online, all scheduled training days and times and must complete the Initial Training Program to our satisfaction before your Studio opens.

Training requirements are communicated and updated through periodic memos, publications and manuals. The following is an outline of the current training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training*	Hours of On-The-Job Training**	Location
How to wrap a person	1	0 - 10	Red Light Method Studio 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712; (or at a location later designated by us) Also conducted online.
How to use the Business Management and POS Software	10	0	Online, through website of the approved software supplier.
How to operate a Red Light Method Studio	1	0 - 10	Red Light Method Studio 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712 (or at a location later designated by us) Also conducted online.
Red Light Method Culture	1	0 - 10	Red Light Method Studio 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712 (or at a location later designated by us) Also conducted online.
Customer Service	1	0 - 10	Red Light Method Studio 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712 (or at a location later designated by us) Also conducted online.
TOTAL	**14**	**0 - 40**	

* All Classroom Training is conducted online.

** All On-The-Job Training is optional, and you decide the number of hours you wish to attend training.

Allison Beardsley, whose biography is listed in Item 2, is in charge of the training program. She has more than 24 years of experience in the fitness industry and the subjects taught. She is our co-founder and has been employed with us since our inception. We will offer initial training in person on an as-needed basis, which we anticipate being quarterly, and on demand online. Our primary instruction is through hands-on training, videos, the Manual and other instructional materials we prepare specifically for the Initial Training Program.

If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of our control, we reserve the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences. (Franchise Agreement, Section 6.3 A.)

Ongoing/Refresher Training

From time to time, we may offer system-wide ongoing or refresher training to our franchisees for a reasonable fee, such training may include courses, meetings, seminars and conventions. You must personally attend or have your designated Studio Manager (if approved by us) attend any and all required ongoing or refresher training. We currently charge $500 to $1,500 per day for ongoing or refresher training. In addition to paying any required training fee(s), you will be responsible for all compensation, travel and living expenses for you and/or your Studio Manager during training. (Franchise Agreement, Section 6.3B.)

F**.** **Computer and POS Systems**

You must acquire a computer for use in the operation of the Studio and install the electronic data processing and communications hardware and software, including voicemail, business management systems, and a point-of-sale ("POS") reporting system that we designate (collectively, the "Computer System"). You must record all of your receipts, expenses, invoices, customer lists, and other business information promptly in the Computer System and use the software that we specify or otherwise approve. Currently, we require you to use an online business management and POS System from a designated Approved Supplier. You must provide us with online access to your books by, among other things, providing us with your password. The details of these standards and requirements will be described in the Manual or otherwise in writing and may be modified in response to changes in marketing conditions, business operating needs, or technology.

We will have independent access to information you generate and store on your Computer System. The POS system is designed to enable us to have immediate access to the information monitored by the System, and there is no contractual limitation on our access or use of the information we obtain.

You must purchase or lease, and thereafter maintain, the Computer System, including the hardware and software, POS System, dedicated high speed communications equipment and services, dedicated telephone and power lines, modem(s), printer(s), speakers, and other computer-related accessories or peripheral equipment as we may specify, for the purpose of recording Store sales and other functions that we require. You must provide such assistance as may be required to connect your Computer System with a computer system used by us. We will have the right, on an occasional or regular basis, to retrieve such data and information from your Computer System as we, in our sole and exclusive discretion, consistent with consumer privacy laws, deem necessary. You must operate your Computer System in compliance with certain security standards specified by use, which may be modified at our discretion from time to time. In view of the interconnection of computer systems and the necessity that such systems be compatible with each other, you expressly agree that you will strictly comply with our standards and specifications for all items associated with your Computer System.

To ensure full operational efficiency and optimum communication capability between and among computer systems installed by you, us, and other Red Light Method Franchisees, you agree, at your expense, to keep your Computer System in good maintenance and repair, and following our determination that it will be economical or otherwise beneficial to the Red Light Method System to promptly install such additions, changes, modifications, substitutions and/or replacement to your computer hardware, software, POS System, communications equipment and services, telephone and power lines, and other computer-related facilities, as we direct.

We reserve the right to require you to update or upgrade any computer hardware or software during the term of the franchise, and if we choose to do so, there are no limitations on the cost and frequency of this obligation. The approximate cost of the Computer System, including a laptop or desktop computer, at least 10 tablet computers for the Classic Model Studio and 20 tablet computers for the Pilates Model, a smartphone, hardware and software, printer, security system, music streaming fees, and related equipment (e.g., headphones, router, tablet stands, keyboards, cables, etc.) ranges between $3,000 and $10,000. The approximate cost of any annual maintenance upgrades or updates or maintenance support contracts varies widely from $100 to $1,000, which does not include: (i) the required Studio management and POS software fee of $475 per month, which you will pay directly to the Approved Supplier; (ii) the technology fees paid to us in the amount of $275 per month; (iii) the music streaming service fee of $30 per month; or (iv) if and when imposed, any other required software fees.

We have no obligation to provide ongoing maintenance, repairs, upgrades or updates, and any such obligations would be those of the software licensors.

G. **Gift Card Program**

We have established a program for all Red Light Method franchisees to sell, issue, or redeem gift cards (the "Gift Card Program"). You must participate in the Gift Card Program by offering Red Light Method Studio gift cards to your customers and/or honoring all Red Light Method Studio gift cards presented to you as payment for products and services, regardless of whether the gift card was sold or issued by you or another Studio. When you sell or issue a gift card, you will keep the amount paid in your account until the gift card is redeemed. We will reconcile your account with us in accordance with the then-current Gift Card Program policies and practices regarding the allocation of funds generated from the sale of gift cards, as set forth in the Manual or elsewhere by us. You will pay Royalties on the revenue you receive from redeemed gift cards. The Red Light Method Studio gift cards have no expiration date; therefore, you remain liable for each gift card sold at your Studio upon it is redeemed for an undetermined amount of time. Upon termination of your Franchise Agreement and non-renewal, you must comply with all federal, state and local laws pertaining to any outstanding gift cards sold at the Studio that were not redeemed before the termination of the Franchise Agreement. This may include returning the funds collected for each outstanding gift card to the applicable customer or state.

ITEM 12 TERRITORY

Franchise Agreement

You will operate the Studio at a specific location approved by us (the "Authorized Location"). You must receive our permission before relocating the Studio. If we consent to you relocating the Studio, the new Authorized Location must be within the same Designated Market Area (specifically defined in Section 1.3 of the Franchise Agreement) in which the Studio was located and must be approved by us. You must execute our standard form of general release upon any relocation. You will bear the sole expense of relocating the Studio, and we have the right to charge you a Relocation Fee in the amount of $5,000 for our services in connection with any such relocation. Generally, we do not approve requests to relocate your Studio after a site selection has been made and you have opened for business unless (a) it is due to extreme or unusual events beyond your control, and (b) you are not in default of your Franchise Agreement.

You will receive a protected geographic area ("Protected Territory") around the Authorized Location for the Studio. The Protected Territory will be defined by cities and neighborhoods, based on demographics and density using our data analytics software, and public records and information, and will be decided by us in our sole discretion. In rural/suburban areas the Protected Territory will include a population of approximately 50,000 to 200,000 individuals, and in dense urban environments, such as, downtown metropolitan areas, the Protected Territory will include a population of approximately 25,000 to 100,000 individuals.

So long as (1) you are in good standing, and (2) the Studio can adequately accommodate all the prospective members in the Protected Territory as the Red Light Method brand grows and demand increases, we will not operate or establish, or grant a license to a third party to operate or establish, a Red Light Method Studio within the Protected Territory, during the term of your Franchise Agreement, subject to our reservation rights below. You must not solicit business from customers inside another Red Light Method franchisee's protected territory.

We may modify your Protected Territory under the following circumstances:

(1) If you breach your obligations or otherwise default under the Franchise Agreement, we may reduce, eliminate or otherwise modify your rights in the Protected Territory.

(2) If the Studio reaches maximum membership capacity and you do not or cannot expand the Studio at the Authorized Location and, consequently, cannot accept new members or provide services to all existing members of the Studio, we may, at our discretion:

(i) offer you a right of first refusal to purchase and operate an additional Red Light Method Studio within the Protect Territory, which would include adjusting the Protected Territory to provide the additional Studio with its own protected territory; or

(ii) offer a new or existing franchisee the opportunity to purchase and operate a Red Light Method Studio within the Protect Territory, which would include adjusting the Protected Territory to provide such new or existing franchisee with its own protected territory for its Studio.

Except as expressly provided in the Franchise Agreement, you have no right to exclude, control or impose conditions on the location, operation or otherwise, of present or future Studios, using any of the other brands or Marks that we now, or in the future, may offer, and we may operate or license Studios or distribution channels of any type, licensed, franchised or company-owned, regardless of their location or proximity to the Premises and whether or not they provide services similar to those that you offer. You do not have any rights, including options, rights of first refusal, or other similar rights, with respect to acquiring additional franchises and/or related businesses, products and/or services, in which we may be involved, now or in the future.

We expressly reserve all other rights, and can (along with anyone we designate):

(1) own and/or operate any kind of business located anywhere, including other franchises, whether or not using the Marks and system we have licensed to you, except for a Red Light Method Studio in your Protected Territory (subject to the modification of the Protected Territory as described above.)

(2) develop or become associated with other concepts (including dual branding and/or other franchise systems), whether or not using the System and/or the Marks, and award franchises under such other concepts for businesses located and/or operating anywhere.

(3) acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere. Such transactions may include (but are not limited to) arrangements involving competing outlets and brand conversions (to or from the Red Light Method Marks and System). You may be responsible for any reasonable conversion costs.

Internet Sales / Alternative Channels of Commerce

We may market and sell products and services to customers located anywhere using alternative channels of distribution, even if such products and services are similar to what we sell to you and what you offer at your Studio. We may use the internet or alternative channels of commerce to sell Red Light Method brand products and services. You are not entitled to any compensation, allowance, payment or other consideration on account of any products and services we may offer or sell using alternative channels of distribution in your Protected Territory. You may only sell the authorized products and services from your approved Studio location and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by us. We may require you to submit samples of all advertising and promotional materials (and any use of the Marks and/or other forms of commercial identification) for any media, including the Internet, World Wide Web or otherwise. We retain the right to approve or disapprove of such advertising, in our sole discretion. Any use of social media by you pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. We reserve the right to "occupy" any social media websites/pages and be the sole provider of information regarding the Studio on such websites/pages (e.g., a system-wide Facebook page). At our request, you will promptly modify or remove any online communication pertaining to the Studio that does not comply with the Franchise Agreement or the Manual. You are not prohibited from obtaining customers over the Internet provided your Internet presence and content comply with the requirements of the Franchise Agreement.

Performance Standards

A. System Standards. We may choose, in our sole discretion, to evaluate your Studio for compliance with the System Standards using various methods (including, but not limited to, inspections, field service visits, surveillance camera monitoring, customer comments/surveys, and secret shopper reports). You must meet minimum standards for cleanliness, equipment condition, repair and function, and customer service. Your employees, including independent contractors, must meet minimum standards for courteousness and customer service. (Franchise Agreement, Section 8.8A)

B. Minimum Sales Quota. Unless waived by us due to unique market conditions or your Studio's size, you must meet a certain Minimum Membership and Sales Quota. Commencing on the first anniversary of the opening of the Studio and continuing throughout the term of the Franchise Agreement, if you fail to have a minimum of 250 members at the Studio and achieve $25,000 in Gross Sales each month, we may institute a corrective training program and/or require you to perform additional local marketing. If you fail to meet the Minimum Membership and Sales Quota for thirty-six (36) consecutive months at any time during the term of the Franchise Agreement, we may institute a mandatory corrective training program or terminate your Franchise Agreement at our sole discretion. (Franchise Agreement, Section 8.8B)

You may not relocate the Studio to any other location without our prior written consent. If we approve any relocation of the Studio, you must de-identify the former location. If you fail to de-identify your former Studio, you must reimburse and indemnify and hold us harmless from all costs and expenses, including attorney's fees, arising out of your failure to de-identify.

If you are not in compliance with all material terms of the Franchise Agreement and the Manual, and current in all accounts to us and our affiliates ("Good Standing"), we may reduce, eliminate or otherwise modify your territorial rights, along with whatever other remedies are then available to us, including termination.

Area Development Agreement

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 are awarded the right to acquire multiple franchises for Red Light Method Studios under our form of Area Development Agreement, then we will provide you with a "Designated Territory" upon execution of the Area Development Agreement. The size of your Designated Territory will vary substantially from other Red Light Method developers based on: (i) the number of Studios we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these Studios.

The Designated Territory may be defined by zip code boundaries, county boundaries, highways, physical landforms, city or municipality boundaries and other factors we deem appropriate. You will receive no exclusive rights to the Designated Territory. So long as you are in good standing and in compliance with the Area Development Agreement, we will not establish or license another to establish a Red Light Method Studio in the Designated Territory, subject to our reservation of rights below.

We reserve the right to:

(1) establish and operate, and allow others to establish and operate, Studios using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services which are identical or similar to products and services offered by Red Light Method Studios, under trade names, trademarks, service marks and commercial symbols different from the Marks;

(3) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, temporary or mobile facilities, sales through retail stores that do not operate under the Marks, sales made at wholesale, or sales via the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from Studios, and that sell products and/or services that are identical or similar to, and/or competitive with, those that Studios customarily sell;

(4) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at Studios, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the

franchisees or licensees of these businesses) are located or operating (including in the Designated Territory);

(5) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Red Light Method Studios, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(6) engage in all other activities not expressly prohibited by the Area Development Agreement.

We are not required to pay you if we exercise any of the rights specified above inside your Designated Territory.

You will submit a separate Location Report to us for our approval or disapproval of a site for each Studio to be established within your Designated Territory pursuant to your Area Development Agreement. We will approve or disapprove of the site within 30 days after receipt of the Location Report from you. If we approve your proposed site, it will become the Authorized Location for the Studio. Upon the signing of a Franchise Agreement for each Studio developed, we will define your Protected Territory, as described above in the third paragraph under the heading, "Franchise Agreement." Our then-current standards for site selection and protected territories will apply.

We may reduce the number of Studios to be developed in your Designated Territory or terminate your Area Development Agreement if you fail to (i) meet the development schedule under your Area Development Agreement, (ii) fail to comply with any other term or condition of your Area Development Agreement, or (iii) fail to comply with any individual Franchise Agreement between you and us.

ITEM 13 TRADEMARKS

We grant you the right to operate a Studio under the name "Red Light Method." You may also use other current or future trademarks to operate your Studio that we designate. By trademark, we mean trade names, trademarks, service marks, and logos used to identify the Studio. Our parent, Red Lite Gym, LLC, has filed the following pending trademarks on the Principal Register of the United States Patent and Trademark Office ("USPTO"):

Mark	Serial No.	Filing Date
RED LIGHT METHOD (word mark)	98064528	June 29, 2023
	98248730	Oct. 31, 2023

Mark	Serial No.	Filing Date
	98248620	Oct. 31, 2023

Affidavits of use and incontestability, and applications for renewal will be filed at the time specified by law.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no presently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, nor any pending material litigation involving any of the Marks which are relevant to their use in any state. There are no pending interference actions or opposition or cancellation proceedings that significantly limit our rights to use or license the use of the Marks in any manner material to the System.

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

You must immediately notify us of any apparent infringement of or challenge to your use of the mark. Although not obligated to do so, we will take any action deemed appropriate and will control any litigation or proceeding. You must cooperate with any litigation relating to the Marks which we might undertake.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks. We have no knowledge of any superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own any right in or to any patents or copyrights that are material to the franchise. We do, however, claim common law copyright protection for the Manual. You do not receive the right to use any item covered by a patent or copyright, but you can use the proprietary information in the Manual and that you receive in training in the operation of the Studio. There currently are no effective determinations of the Copyright Office or any court regarding any of the copyrighted materials. There are no agreements in effect which significantly limit our right to use or license the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. We have the right to control any litigation or other proceeding with respect to our copyrighted materials.

You must also promptly tell us when you learn about the unauthorized use of any of our proprietary information or copyright materials. Although not obligated to do so, we will take any action we deem appropriate. You must cooperate with any litigation that we might undertake relating to our proprietary information and copyright materials.

If we require you to modify or discontinue using the subject matter covered by our copyright materials, we are not required to reimburse or compensate you for the modification or discontinuation.

Confidential Manuals

You must conduct business under your Franchise Agreement in the manner specified in the Manual or any other written or oral communication from us. We may revise the Manual from time to time, and you must comply with each new or changed standard. We will lend you a copy of the Manual after you complete our Initial Training Program. You must treat the Manual and the information contained in it, as confidential. You cannot copy these materials or show them to any unauthorized person. The Manual will remain our sole property.

Confidential Information

In general, our proprietary information includes "Confidential Information" as defined in Section 12 of the Franchise Agreement, some of which is contained in our Operations Manual, and includes, among other things, all information (current and future) relating to the operation of Red Light Method Studios and the System, including, among other things, all: (i) manuals, training, techniques, processes, policies, procedures, systems, data and know how regarding the development, marketing, operation of the Studio; (ii) designs, specifications and information about products and services and (iii) all information regarding customers and suppliers, including any statistical and/or financial information and all lists. We disclose to you Confidential Information needed for the operation of the Studio and you may learn additional information during the term of your franchise. We have all rights to the Confidential Information and your only interest in the Confidential Information is the right to use it under your Franchise Agreement.

We may require that you and each of your managers and employees execute covenants of confidentiality that they do not disclose any Confidential Information. We have the right to use and authorize others to use all ideas, techniques, methods and processes relating to the Studio that you or your employees conceive or develop.

All ideas, concepts, techniques, materials, processes, or improvements to a Red Light Method Studio, whether or not constitutionally protectable intellectual property, and whether created by or on behalf of you, your owners, your employees, a third party, or otherwise, must be disclosed to us and will be deemed to be our property, part of the System, and works made for hire for us.

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

We do not require, but do recommend, that you (or the Designated Operator) personally supervise the Studio. You may designate a Studio Manager who has successfully completed our Red Light Method Training Program, and meets our then-current standards, to assist in the direct, day-to-day supervision of the operations of the Studio, or to be the on-premises supervisor if you choose not to personally supervise the Studio. If you are a business entity, your designated Studio Manager need not hold an ownership interest in the business to be the on-premises supervisor.

You and your employees must comply with the confidentiality provisions set forth in your Franchise Agreement and the Operations Manual, which includes Confidential Information relating to the operation of Red Light Method Studios and the System. You must execute a personal guaranty concurrently with the signing of the Franchise Agreement. If you are a legal entity, having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in the franchised business must execute a personal guaranty. We may require your spouse or domestic partner to co-sign the personal guaranty.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell, only and all those products and services, and deal only with those suppliers, that we authorize or require, and have authorized (See Item 8). Principally, this means you must purchase the amount and type of equipment for the Studio, including red light therapy, Power Plate equipment, and Pilates reformers (for Pilates Model only), and offer only those types of red light therapy services, Power Plate classes, Pilates classes (at Pilates Model only) and products that we authorize. Failure to comply with our purchasing restrictions can (and probably will) result in the termination of your Franchise Agreement.

You may not advertise, offer for sale or sell, any products and/or services that we have not authorized. We reserve the right to change the types of authorized products and services at any time in our discretion. You agree to promptly undertake all changes as we require from time to time, without limit, except we will not require you to thoroughly modernize or remodel the Studio more than once every 5 years. You may not make any material alterations to your Studio, or its appearance as originally approved by us, without our prior written approval.

You must refrain from any merchandising, advertising, or promotional practice that is unethical or may be injurious to our business and/or other franchised businesses or to the goodwill associated with the Marks (Franchise Agreement, Section 4.2).

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ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Franchise Agreement: Paragraph 3.1	The term is 10 years from the date the Franchise Agreement is signed.
b. Renewal or extension of term	Franchise Agreement: Paragraph 3.2	You have the option to extend the term for a single additional 10-year term.
c. Requirements for franchisee to renew or extend	Franchise Agreement: Paragraphs 3.2, 3.3, and 3.4	You have complied with all of the Franchise Agreement provisions; you are not in default of the Franchise Agreement; you have brought the Studio into compliance with our current standards; you have given us notice of renewal; you have signed a then-current form of Franchise Agreement; and you have signed a general release in substantially the form of **Exhibit E** to this disclosure document. You must give us notice of your intent to renew no less than 90 days or more than 180 days before the Franchise Agreement expires. The new Franchise Agreement may contain terms and conditions that are materially different from your original Franchise Agreement. We charge a renewal fee of $7,777.
d. Termination by franchisee	Franchise Agreement: Paragraph 15.1	You may terminate the Franchise Agreement for cause if you are in compliance and we materially breach the Franchise Agreement and fail to cure within 30 calendar days of receiving your written notice (subject to applicable state law.)
e. Termination by franchisor without cause	Franchise Agreement: Not Applicable	The Franchise Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Franchise Agreement: Paragraph 15.2 and 15.3	We may terminate the Franchise Agreement upon delivery of notice to you if you default under the terms of the Franchise Agreement. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
g. "**Cause**" defined – curable defaults	Franchise Agreement: Paragraph 15.2B	The following constitute curable defaults: you fail to comply with the Performance Standards; or refuse to make payments due and do not cure within 10 business days; or fail to comply with any provision of the Franchise Agreement not otherwise mentioned in (h.) below or any mandatory specification and do not cure within 10 calendar days or 30 calendar days. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
h. "**Cause**" defined – non-curable defaults	Franchise Agreement: Paragraph 15.2A	The following events constitute non-curable defaults: failure to properly establish and equip the premises; failure to complete training; make a material misrepresentation or omission in the application for the franchise; conviction or plea of no contest to a felony, or other crime or offense that can adversely affect the reputation of you, us or the Studio; make unauthorized disclosure of confidential information; abandonment of the business for 2 consecutive business days unless otherwise approved; surrender of control of the business; unauthorized transfer; you are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; your misuse of the Marks; failure on 3 occasions within any 12 consecutive month period to pay amounts due, or otherwise to comply with the Franchise Agreement; violate any health, safety or sanitation law or conduct your operation in a manner creating a safety hazard; or violating the rights and restrictions of your territory. Operating a competing business. A default by you under the terms and conditions of the Franchise Agreement, Area Development Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
i. Franchisee's obligation on termination/non-renewal	Franchise Agreement: Paragraphs 12, 13 and 15.4	Your obligations include: stop operations of the Studio; stop using the Marks and items bearing the Marks; cancel any assumed names that contain any of the Marks; de-identify the premises from any confusingly similar decoration, design or other imitation of a Red Light Method Studio; stop advertising as a Red Light Method franchise; pay all sums owed; pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement; return the Manual and other confidential information to us; return all signs to us; at our option, assign your lease to the Premises to us; at our option, sell to us all assets of the Studio, including inventory, equipment, supplies and items bearing the Marks; and comply with the covenants not to compete.
j. Assignment of contract by franchisor	Franchise Agreement: Paragraph 14.7	We may sell or assign some or all of our business to any subsidiary or affiliate of Red Light Method, any purchaser of Red Light Method, or any purchaser of the Marks and related business.
k. "Transfer" by franchisee definition	Franchise Agreement: Paragraph 14.1	You may sell or assign your business, but only with our approval. We have sole discretion over whether to approve or disapprove an assignment.
l. Franchisor approval of transfer by franchisee	Franchise Agreement: Paragraphs 14.1	We have the right to approve all your transfers. We may place reasonable conditions on our approval of any transfer.
m. Conditions for franchisor approval of transfer	Franchise Agreement: Section 14.3	You must be in compliance with all agreements, the Manual, all contracts with any party, and transferee must assume all obligations under these agreements; transferee meet our then-current requirements and complete or agree to complete our training program for new franchisees; all sums due must be paid; Franchisee must pay us a transfer fee and execute a general release (which shall be substantially similar to the form of General Release attached as **Exhibit E**); all obligations to third parties must be satisfied; the Studio must be in full compliance with the Manual and standards and specifications for new Red Light Method Studios; the transferee must

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		satisfactorily complete training.
n. Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement: Paragraphs 14.2	We have the right to match any offer. We can substitute cash for any other form of payment.
o. Franchisor's option to purchase franchisee's business	Paragraph 15.4 I	Upon termination, expiration, or non-renewal of the Franchise Agreement, we have the option, exercisable by giving 30 days written notice, to purchase any and all inventory, equipment, furniture, fixtures, signs, sundries and supplies owned by you and used in the Studio, at the lesser of (i) your cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Studio. In addition, we have the option to assume your lease for the lease location of the Studio, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as your lease.
p. Death or disability of franchisee	Franchise Agreement: Paragraph 14.5	Must be transferred within six (6) months.
q. Non-competition covenants during the term of the franchise	Franchise Agreement: Paragraph 13	You must not have any interest in any competitive business, including any red light therapy or fitness business, or any business offering products and services of a similar nature to those of the Red Light Method Studio (subject to applicable state law.)
r. Non-competition covenants after the franchise is terminated or expires	Franchise Agreement: Paragraph 13	For 2 years after the expiration, termination, non-renewal, or assignment, you must not operate any business offering services or products of a similar nature to those of the Red Light Method Studios within a 5-mile radius of any Red Light Method Studio, whether franchised or owned by us or any of our affiliates. These provisions are subject to applicable state law.
s. Modification of the Franchise Agreement	Franchise Agreement: Paragraph 16.5	The Franchise Agreement can be modified only by written agreement between us and you. We can modify or change the System through

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		changes in the Manual.
t. Integration/merger clause	Franchise Agreement: Paragraph 19	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the Disclosure Document and the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Franchise Agreement: Paragraph 16	Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in McDonald County, Missouri. These provisions are subject to state law.
v. Choice of forum	Franchise Agreement: Paragraph 16.2	Any action that is not subject to arbitration must be brought in state or federal court in McDonald County, Missouri. These provisions are subject to state law.
w. Choice of law	Franchise Agreement: Paragraph 16.4	Missouri law applies (subject to applicable state law.)

AREA DEVELOPMENT AGREEMENT

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 AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENT	SUMMARY
a. Length of the term of the Area Development Agreement	Section V	The rights granted under the Area Development Agreement expire on the date of our acceptance and signing of a Franchise Agreement for the last Studio to be developed.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for developer to renew or extend	Not Applicable	Not Applicable

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENT	SUMMARY
d. Termination by developer	Not Applicable	The Area Development Agreement does not contain a provision allowing you to terminate the Area Development Agreement for any reason. Your right to terminate is subject to state law.
e. Termination by franchisor without cause	Not Applicable	The Area Development Agreement does not provide for termination without cause.
f. Termination by franchisor with cause	Section VIII	If you are in default of the Area Development Agreement, we will have cause to terminate the agreement. A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such agreement, will, at our option, constitute a default under all such agreements.
g. "Cause" defined – curable defaults	Not Applicable	The Area Development Agreement does not provide for defaults which can be cured.
h. "Cause" defined – non-curable defaults	Section VIII	The Area Development Agreement will terminate automatically if you are adjudicated bankrupt or are otherwise involved in a bankruptcy proceeding, if a final judgment remains unsatisfied of record for 30 days or longer (unless bond is filed), if execution is levied against your business or property, if a mortgage or lien foreclosure suit is instituted against you and is not dismissed or in the process of being dismissed within 30 days, if you have failed to exercise options and enter into Franchise Agreements with us according to your Development Schedule, failed to comply with any other term or condition of the Area Development Agreement, make or attempt to make an unapproved transfer or assignment of the Area Development Agreement, or if you fail to comply with the terms and conditions of any Franchise Agreement or other agreement between you and us. A default by you under the terms and conditions of the Area Development Agreement, the Franchise Agreement, or any other such

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENT	SUMMARY
		agreement, will, at our option, constitute a default under all such agreements.
i. Developer's obligations on termination/ non-renewal	Section VIII(d)	You will lose your options to establish an individual Studio for which a Franchise Agreement has not been signed by us. A default under the Area Development Agreement will not be considered a default under the Franchise Agreement, unless specified otherwise. If you are in default of the Area Development Agreement but are not in default under any one or all of your Franchise Agreements, you may continue to operate the existing Studio(s) under the terms of their separate Franchise Agreements.
j. Assignment of contract by franchisor	Paragraph IX(a)	No restriction on our right to assign except that assignee must be financially responsible and economically capable of performing our obligations under the Area Development Agreement and assignee must expressly assume and agree to perform these obligations.
k. "Transfer" by developer - defined	Section IX(c)	Includes transfer of assets and all rights under the contract or change of ownership.
l. Franchisor approval of transfer by developer	Section IX(c)	We have the right to approve all transfers by you but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Section IX(c)	For a transfer to a third party, the transferee must meet our qualifications, successfully complete the training program and sign the current Area Development Agreement. You will pay all sums owed to us and sign an agreement containing general release, as well as pay our then-current transfer fee. You must give us 90 days written notice before any sale or assignment of the Area Development Agreement and 15 days written notice of any received offer to buy your interest in the Area Development Agreement. You must give simultaneous written notice to us of any offer to sell an interest under the Area Development Agreement made by

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENT	SUMMARY
		you.
n. Franchisor's right of first refusal to acquire developer's business	Section IX(e)	We have the right of first refusal to purchase your ownership interest or assets which are for sale and for which you have received a good faith offer to purchase.
o. Franchisor's option to purchase developer's business	Section IX(e)	We have 15 days from notice of the offer to purchase your ownership interest or your assets at the same terms as contained in the offer.
p. Death or disability of developer	Not Applicable	See k., l. and m. above. While your death or disability is not specifically addressed in the Area Development Agreement, a transfer of shares upon the death of an owner of the area developer (or a transfer of the agreement upon your death if you are an individual) would be treated the same as any other transfer.
q. Non-competition covenants during the term of the franchise	Section X	You must not divert or attempt to divert any business or customer to a competitor, or perform any act which may harm the goodwill associated with the Marks and the System; or own or otherwise have any interest in any "competitive business." You will also be bound by and comply with the covenants in each Franchise Agreement you sign with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. The term "Competitive Business" means any business (other than a Red Light Method Studio) principally offering products substantially similar to the products and services than being offered by the majority of the Red Light Method Studios. These provisions are subject to applicable state law.
r. Non-competition covenants after the franchise is terminated or expires	Section X(b)	You must not have any interest in any competitive business, including any red light therapy or fitness business, or any business offering products and services of a similar nature to those of the Red Light Method Studio for 2 years after the Area

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT OR OTHER AGREEMENT	SUMMARY
		Development Agreement is terminated within the Designated Territory or within a 5-mile radius of any Red Light Method Studio. You will also be bound by and comply with the covenants in each Franchise Agreement signed with us. The covenants apply even if you have transferred your interest in the Area Development Agreement. These provisions are subject to applicable state law.
s. Modification of agreement	Section XVI	The Area Development Agreement can be modified only by written agreement between us and you.
t. Integration/ merger/clause	Section XVI	Only the terms of the Area Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises made outside the Disclosure Document and the Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section XIX	Disputes/claims are first subject to a face-to-face meeting, then non-binding mediation, and if unresolved, binding arbitration before a single arbitrator in McDonald County, Missouri. These provisions are subject to state law.
v. Choice of forum	Section XIX(e)	Any action that is not subject to arbitration must be brought in state or federal court in McDonald County, Missouri. These provisions are subject to state law.
w. Choice of law	Section XIX(h)	Missouri law applies (subject to applicable state law.)

Applicable state law may require additional disclosures related to the information in this disclosure document. These additional disclosures appear in **Exhibit F,** State Specific Addenda, to this disclosure document.

ITEM 18 PUBLIC FIGURES

We do not currently use any public figure or personality to promote the 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.

Performance Projection

Our parent, Red Lite Gym, LLC, owns and operates a Red Light Method Studio at 1400 SE Walton Blvd, Suite 34, Bentonville, Arkansas 72712 (the "Bentonville Studio"), which is substantially similar to the franchised business offered in this disclosure document. The Bentonville Studio first opened for business in August 2022, under the name Red Lite Gym, which operated under a different format, offering only individual sessions. In July 2023, it rebranded, redesigned the interior of the business to offer group classes instead of individual sessions, and changed the name of the business to "Red Light Method". The Bentonville Studio currently operates under the "Pilates Model" format, which offers Pilates in addition to red light therapy treatments and Power Plate classes at the Studio. You may elect to operate your Studio under the Pilates Model format, which is the same as the Bentonville Studio, or you may elect to operate under the "Classic Model," which differs from the Bentonville Studio in that it offers red light therapy treatments and Power Plate classes only.

We have prepared the following financial performance projections based on the experience of our parent in opening and operating the Bentonville Studio for nearly 2 years, including nearly 1 year under the rebranding and business name change, and on its profit and loss statements during that period. The Bentonville Studio is the only Studio in the System and, therefore, the representation is based solely on its financial performance data. We believe the nearly one year period of revenues and expenses under the new format and name change is enough operations history to make reasonable assumptions and a projection on what we think you may earn because: (i) the membership rates provided for a small market area are an average of actual membership fees charged at the Bentonville Studio and we believe it is reasonable to set higher membership rates in larger market areas; (ii) membership rates are expected to remain consistent; and (iii) inflation isn't expected to substantially affect the expenses at the Studio; however, we have included $1,000 per month for unforeseen expenses in the projection. The Bentonville Studio has a unique profit and loss statement since it has funded certain start-up costs for us (e.g., trademark filings, legal fees, etc.) and incurs certain expenses for creating and managing our franchise System that are not applicable to the franchised business you will operate. We have not included such expenses in the following charts since they differ materially from your expected expenses. The performance projections apply to both the "Classic Model" and "Pilates Model" Studio formats because the membership rates and expenses are the same under both formats.

These figures are only estimates of what we think you may earn. Your individual results may differ. There is no assurance that you'll earn as much.

The following chart includes our performance projections for a Studio located in a small market area with a population of under 100,000, which is similar to the Bentonville Studio. Bentonville has a population of approximately 64,000. As of June 1, 2024, the Bentonville Studio had 420 members. These projections assume each Red Light Method Studio can support 500 to 600 members at full capacity, based on 10 treatment rooms, and the ability to service 20 individuals per hour.

STUDIO IN A SMALL MARKET AREA (LESS THAN 100,000 INDIVIDUALS)				
NUMBER OF MEMBERS	**AVERAGE MONTHLY MEMBER RATE[1]**	**MONTHLY GROSS SALES [2] FROM MEMBERSHIPS**	**ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO [3]**	**ESTIMATED MONTHLY NET PROFIT [4]**
250	$119	$29,750	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $2,380 • 3% Credit Card Processing Fee= $892.50 • Software and Technology Fees= $750 • Payroll = $8,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000* • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $24,522.50 (or $20,522.50 if you are the Studio Manager.)	If you are the Studio Manager $9,227.50 If you hire a Studio Manager $5,227.50
275	$119	$32,725	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $2,618 • 3% Credit Card Processing Fee= $981.75 • Software and Licensing Fees= $750 • Payroll = $8,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $24,849.75 (or $20,849.75 if you are the Studio Manager)	If you are the Studio Manager $11,875.25 If you hire a Studio Manager $7,875.25
300	$119	$35,700	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $2,856 • 3% Credit Card Processing Fee= $1071. • Software and Licensing Fees= $750 • Payroll = $10,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000	If you are the Studio Manager $12,523 If you hire a Studio Manager $8,532

STUDIO IN A SMALL MARKET AREA (LESS THAN 100,000 INDIVIDUALS)				
NUMBER OF MEMBERS	**AVERAGE MONTHLY MEMBER RATE[1]**	**MONTHLY GROSS SALES [2] FROM MEMBERSHIPS**	**ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO [3]**	**ESTIMATED MONTHLY NET PROFIT [4]**
			• Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $27,177 (or $23,177 if you are the Studio Manager)	
325	$119	$38,675	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $3,094 • 3% Credit Card Processing Fee= $1160.25 • Software and Licensing Fees= $750 • Payroll = $10,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $27,504.25 (or $23,504.25 if you are the Studio Manager)	If you are the Studio Manager $15,170.75 If you hire a Studio Manager $11,170.75
350	$119	$41,650	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $3,332 • 3% Credit Card Processing Fee= $1160.25 • Software and Licensing Fees= $750 • Payroll = $11,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $28,742.25 (or $24,742.25 if you are the Studio Manager)	If you are the Studio Manager $16,907.75 If you hire a Studio Manager $12,907.75
375	$119	$44,625	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $3,570 • 3% Credit Card Processing Fee= $1338.75 • Software and Licensing Fees= $750 • Payroll = $12,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $30,338.75 (or $26,338.75 if you are the Studio Manager)	If you are the Studio Manager $18,286.25 If you hire a Studio Manager $14,286.25

STUDIO IN A SMALL MARKET AREA (LESS THAN 100,000 INDIVIDUALS)				
NUMBER OF MEMBERS	**AVERAGE MONTHLY MEMBER RATE[1]**	**MONTHLY GROSS SALES [2] FROM MEMBERSHIPS**	**ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO [3]**	**ESTIMATED MONTHLY NET PROFIT [4]**
400	$119	$47,600	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $3,808 • 3% Credit Card Processing Fee= $1,428 • Software and Licensing Fees= $750 • Payroll = $13,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $31,486 (or $27,486 if you are the Studio Manager)	If you are the Studio Manager $20,114 If you hire a Studio Manager $16,114
425	$119	$50,575	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $4,046 • 3% Credit Card Processing Fee= $1,517.25 • Software and Licensing Fees= $750 • Payroll = $14,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $32,138.25 (or $28,138.25 if you are the Studio Manager)	If you are the Studio Manager $22,436.75 If you hire a Studio Manager $18,436.75
450	$119	$53,550	• Rent and CAM NNN = $3,000 • 6% Royalty & 2% Ad-fund $4,284 • 3% Credit Card Processing Fee= $1,517.25 • Software and Licensing Fees= $750 • Payroll = $15,000 ($4,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $34,051.25 (or $30,051.25 if you are the Studio Manager)	If you are the Studio Manager $23,498.75 If you hire a Studio Manager $19,498.75

The following chart includes our performance projections for a large market area with a population of over 1,000,000. These projections assume each Red Light Method Studio can support 500 to 600 members at full capacity, based on 10 treatment rooms, and the ability to service 20 individuals per hour.

STUDIO IN A LARGE MARKET AREA (MORE THAN 1,000,000 INDIVIDUALS)				
NUMBER OF MEMBERS	**AVERAGE MONTHLY MEMBER RATE**[1]	**MONTHLY GROSS SALES**[2] **FROM MEMBERSHIPS**	**ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO**[3]	**ESTIMATED MONTHLY NET PROFIT**[4]
250	$179	$44,750	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $3,580 • 3% Credit Card Processing Fee= $1,342.50 • Software and Technology Fees= $750 • Payroll = $10,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1,000 **TOTAL** = $33,172.50 (or $28,172.50 if you are the Studio Manager.)	If you are the Studio Manager $16,577.50 If you hire a Studio Manager $11,577.50
275	$179	$49,225	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $3,938 • 3% Credit Card Processing Fee= $1,476.75 • Software and Technology Fees= $750 • Payroll = $10,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1,000 **TOTAL** = $33,664.75 (or $28,664.75 if you are the Studio Manager.)	If you are the Studio Manager $20,560.25 If you hire a Studio Manager $15,560.25
300	$179	$53,700	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $4,296 • 3% Credit Card Processing Fee= $1,611 • Software and Technology Fees= $750 • Payroll = $12,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1,000 **TOTAL** = $36,157 (or $31,157 if you are the Studio Manager.)	If you are the Studio Manager $22,543 If you hire a Studio Manager $17,543

<table>
<tr><th colspan="5">STUDIO IN A LARGE MARKET AREA (MORE THAN 1,000,000 INDIVIDUALS)</th></tr>
<tr><th>NUMBER OF MEMBERS</th><th>AVERAGE MONTHLY MEMBER RATE[1]</th><th>MONTHLY GROSS SALES [2] FROM MEMBERSHIPS</th><th>ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO [3]</th><th>ESTIMATED MONTHLY NET PROFIT [4]</th></tr>
<tr><td>325</td><td>$179</td><td>$58,175</td><td>• Rent and CAM NNN = $8,000
• 6% Royalty & 2% Ad-fund $4,654
• 3% Credit Card Processing Fee= $1,745.25
• Software and Technology Fees= $750
• Payroll = $13,000 ($5,000 less if you are the Studio Manager)
• Local Marketing = $2,000
• Utilities, Internet, etc. = $500
• Supplies = $500
• Equipment Financing= $5,000
• Insurance= $500
• Unforeseen Expenses $1,000
TOTAL = $37,649.25 (or $32,649.25 if you are the Studio Manager.)</td><td>If you are the Studio Manager $25,525.75

If you hire a Studio Manager $20,525.75</td></tr>
<tr><td>350</td><td>$179</td><td>$62,650</td><td>• Rent and CAM NNN = $8,000
• 6% Royalty & 2% Ad-fund $5,012
• 3% Credit Card Processing Fee= $1,879.50
• Software and Technology Fees= $750
• Payroll = $14,000 ($5,000 less if you are the Studio Manager)
• Local Marketing = $2,000
• Utilities, Internet, etc. = $500
• Supplies = $500
• Equipment Financing= $5,000
• Insurance= $500
• Unforeseen Expenses $1,000
TOTAL = $39,141.50 (or $34,141.50 if you are the Studio Manager.)</td><td>If you are the Studio Manager $28,508.50

If you hire a Studio Manager $23,508.50</td></tr>
<tr><td>375</td><td>$179</td><td>$67,125</td><td>• Rent and CAM NNN = $8,000
• 6% Royalty & 2% Ad-fund $5,370
• 3% Credit Card Processing Fee= $2,013.75
• Software and Technology Fees= $750
• Payroll = $15,000 ($5,000 less if you are the Studio Manager)
• Local Marketing = $2,000
• Utilities, Internet, etc. = $500
• Supplies = $500
• Equipment Financing= $5,000
• Insurance= $500
• Unforeseen Expenses $1,000
TOTAL = $40,633.75 (or $35,633.75 if you are the Studio Manager.)</td><td>If you are the Studio Manager $31,491.25

If you hire a Studio Manager $26,491.25</td></tr>
</table>

STUDIO IN A LARGE MARKET AREA (MORE THAN 1,000,000 INDIVIDUALS)				
NUMBER OF MEMBERS	**AVERAGE MONTHLY MEMBER RATE[1]**	**MONTHLY GROSS SALES [2] FROM MEMBERSHIPS**	**ESTIMATED MONTHLY EXPENSES TO OPERATE THE STUDIO [3]**	**ESTIMATED MONTHLY NET PROFIT [4]**
400	$179	$71,600	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $5,728 • 3% Credit Card Processing Fee= $2,148 • Software and Technology Fees= $750 • Payroll = $17,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1,000 **TOTAL** = $43,126 (or $38,126 if you are the Studio Manager.)	If you are the Studio Manager $33,474 If you hire a Studio Manager $28,474
425	$179	$76,075	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $6,078 • 3% Credit Card Processing Fee= $2,282.25 • Software and Technology Fees= $750 • Payroll = $19,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1000 **TOTAL** = $45,610.25 (or $40,610.25 if you are the Studio Manager.)	If you are the Studio Manager $35,464.75 If you hire a Studio Manager $30,464.75
450	$179	$80,550	• Rent and CAM NNN = $8,000 • 6% Royalty & 2% Ad-fund $6,444 • 3% Credit Card Processing Fee= $2,416.50 • Software and Technology Fees= $750 • Payroll = $21,000 ($5,000 less if you are the Studio Manager) • Local Marketing = $2,000 • Utilities, Internet, etc. = $500 • Supplies = $500 • Equipment Financing= $5,000 • Insurance= $500 • Unforeseen Expenses $1,000 **TOTAL** = $48,110.50 (or $43,110.50 if you are the Studio Manager.)	If you are the Studio Manager $37,439.50 If you hire a Studio Manager $32,439.50

[1] The Average Monthly Membership Rate in a small market, similar to the Bentonville Studio, is $119. The membership rates will be higher in large market areas, with an Average Monthly Membership Rate of $179.

[2] The term "Gross Sales" means the total revenues received from the sale and pre-sale of memberships at or through the Studio, less sales taxes or similar taxes or refunds.

[3] The Estimated Monthly Expenses are based on the expenses our parent incurs in operating the Bentonville Studio, and also includes the Royalty Fee and Marketing Contribution that you will incur. We have adjusted the expense amounts to account for the variations in costs for the different market areas. The "Total" expense amount assumes:

(a) Rent and CAM NNN for a 1,500 square foot Studio;
(b) a Royalty Fee equal to 6% of Gross Sales;
(c) a Marketing Fund Contribution equal to 2% of Gross Sales;
(d) a Credit Card Processing Fee of 3% Gross Sales;
(e) Software and Technology Fees (includes the required Business Management and POS Software, and the Technology Fee paid to us) at $750 per month;
(f) Payroll costs, based on the number of members and on whether you hire a Studio Manager or if you are the Studio Manager;
(g) Local Marketing equal to $2,000 per month, which is twice the required minimum;
(h) Utilities, Internet, Music Streaming Services, etc. at $500 per month;
(i) Supplies, including cleaning supplies, paper products, etc., at $500 per month;
(j) Equipment Financing at $5,000 per month, based on quotes from our equipment financing company;
(k) Insurance Premiums at $500 per month; and
(l) Unforeseen Expenses of $1,000 per month.

[4] The term "Net Profit" means Gross Sales minus all of the expenses listed in Column 4. The first Net Profit amount listed in each row assumes you manage the Studio and don't take a draw; the second Net Profit amount is if you hire a manager and pay them a salary.

Written substantiation for the financial performance projection will be made available to prospective franchisees upon request.

Other than the preceding financial performance representation, Red Light Method Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our CEO, Allison Beardsley, at Red Light Method Franchising, LLC, 1400 SE Walton Blvd, Suite 34, Bentonville, Arkansas 72712, (775) 737-3322, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2021 TO 2023

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
FRANCHISED	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
COMPANY-OWNED *	2021	0	0	0
	2022	0	1	+1
	2023	1	1	0
TOTAL OUTLETS	2021	0	0	0
	2022	0	1	+1
	2023	1	1	0

*The Company-owned Outlet is owned and operated by our parent, Red Lite Gym, LLC.

TABLE 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN RED LIGHT METHOD FRANCHISING, LLC)
FOR THE YEARS 2021 TO 2023

STATE	YEAR	NUMBER OF TRANSFERS
ALL STATES	2021	0
	2022	0
	2023	0
TOTAL OUTLETS	2021	0
	2022	0
	2023	0

TABLE 3
STATUS OF SINGLE UNIT FRANCHISE OUTLETS
FOR YEARS 2021 TO 2023

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMI-NATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS -OTHER REASONS	OUTLETS AT END OF THE YEAR
ALL STATES	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMI-NATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS -OTHER REASONS	OUTLETS AT END OF THE YEAR
TOTAL	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS*
FOR YEARS 2021 TO 2023

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEE	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEE	OUTLETS AT END OF THE YEAR
AR	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
TOTAL	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1

*The Company-owned Outlet is owned and operated by our parent, Red Lite Gym, LLC.

TABLE 5
PROJECTED OPENINGS AS OF JUNE 30, 2023

STATE	FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED	PROJECTED NEW FRANCHISED OUTLETS IN THE NEXT FISCAL YEAR	PROJECTED NEW COMPANY-OWNED OUTLETS IN THE NEXT FISCAL YEAR
ALL STATES	0	0	0
TOTAL	0	0	0

A list of the names, addresses and telephone numbers of our current franchisees as of the Issuance Date of this disclosure document is attached as **Exhibit G**.

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

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

Confidentiality Clauses

In the last three fiscal years, none of our franchisees have entered into any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchisee Organizations

There are no trademark-specific franchisee organizations.

ITEM 21 FINANCIAL STATEMENTS

We have not been in business for three years or more and cannot include all the financial statements required by the FTC Rule for our last three fiscal years. Our fiscal year ends on June 30. Attached to this disclosure document, as **Exhibit C,** are our audited financial statements for the period from our inception (July 13, 2023) to February 20, 2024, and our unaudited financial statements for the period ended June 14, 2024.

ITEM 22 CONTRACTS

The following agreements are attached to this disclosure document:

Exhibit A	Franchise Agreement and Exhibits
	Exhibit 1 Studio Format, Authorized Location and Protected Territory Addendum
	Exhibit 2 Electronic Funds Transfer Agreement
	Exhibit 3 Electronic Debit Authorization
	Exhibit 4 Guarantee
	Exhibit 5 Addendum to Lease
Exhibit E	Form of General Release
Exhibit F	State Specific Addenda
Exhibit I	Area Development Agreement
Exhibit J	Statement of Prospective Franchisee

ITEM 23 RECEIPTS

Our and your copies of the Franchise Disclosure Document Receipt are located on the last two pages of this disclosure document, as Exhibit L.

Exhibit A
To Franchise Disclosure Document

FRANCHISE AGREEMENT AND RELATED EXHIBITS

RED LIGHT METHOD FRANCHISING, LLC

FRANCHISE AGREEMENT AND RELATED EXHIBITS

RED LIGHT METHOD FRANCHISE AGREEMENT
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EXHIBITS

RED LIGHT METHOD
FRANCHISE AGREEMENT

This Red Light Method Franchise Agreement (this "Agreement") is entered into as of the ___ day of _______________________ 20___, between Red Light Method Franchising, LLC, a Missouri limited liability company, doing business as "Red Light Method" ("Franchisor") and _________________________, or his/her/their assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), upon the following terms, conditions, covenants and agreements:

RECITALS

A. Red Lite Gym, LLC, a Missouri limited liability company, ("Licensor") owns and has developed and administers a system, including various business techniques and methods, standards, specifications and programs, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of unique, hybrid spa-gym, boutique fitness businesses offering red light therapy spa treatments, using a medical-grade, pad-based red light therapy device, and group Power Plate classes, with the option to add Pilates ("Red Light Method Studios"). Such businesses are identified by the "Red Light Method" trade name, logo, trademarks and service marks, and other related trade dress, as licensed hereunder (the "Marks").

B. The System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Red Light Method Studios, including, without limitation, confidential manuals (collectively, the "Manual"), red light therapy methods for body-contouring, pain and inflammation reduction, and increased blood flow, medical-grade red light pads, Power Plate equipment, Pilates reformers, and other related spa/gym equipment and products, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, distinctive interior design and display procedures, and color scheme and decor.

C. Pursuant to a written agreement dated August 10, 2023, Franchisor has licensed from Licensor the non-exclusive rights to franchise the System and the Marks in connection with its franchise program.

D. Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to establish and operate a Red Light Method Studio in the format of either the "Classic Model" or the "Pilates Model". The Classic Model offers red light therapy treatments and Power Plate classes; and the Pilates Model offers Pilates reformers with classes in addition to red light therapy treatments and Power Plate classes.

E. Franchisee desires to obtain a license to use the System in the development and operation of a Red Light Method Studio at the location specified in this Agreement (the "Studio").

F. Franchisor is entering into this Agreement in reliance upon the representations of Franchisee as to itself and to the person(s) who will participate in the ownership and management of the Studio.

G. Franchisee has independently investigated the business contemplated by this Agreement and recognizes that the nature of the business may change over time, that an investment in a Red Light Method Studio involves business risks, and that the venture's success depends primarily upon Franchisee's business abilities and efforts.

NOW, THEREFORE, in consideration of the foregoing, the fees and other sums payable by Franchisee and of the mutual covenants contained in this Agreement, the parties agree as follows:

1. GRANT OF FRANCHISE; LOCATION

1.1 **Grant**. Franchisor grants to Franchisee the non-exclusive right and license to:

A. Establish and operate a single Studio utilizing only the System and the Marks, at a location that has been authorized by Franchisor (the "Authorized Location"), in accordance with the provisions and for the term specified in this Agreement;

B. Use the Marks of Franchisor under the terms of this Agreement to identify and promote the Studio offered hereunder; and

C. Use the proprietary red light therapy and fitness methods and know-how, as set forth periodically in Franchisor's operations manual, other manuals, training programs, or otherwise communicated to Franchisee.

1.2 **Studio Format, Site Acceptance Process and Authorized Location**.

A. Studio Format. Franchisee agrees to operate the Studio in the format selected in Exhibit 1(A), hereto, which will be either the Classic Model or the Pilates Model, throughout the term of this Agreement. The Classic Model needs 1,500 to 2,000 square feet to accommodate 10 treatment rooms for red light therapy and 10 Power Plates. The Pilates Model needs 2,000 – 2,500 square feet to accommodate 10 treatment rooms for red light therapy, 6 Power Plates, and 10 Pilates reformers. Franchisee may, at its option, add a far-infrared sauna to either Studio format. The Red Light Method Studios are typically located in a shopping center or a free-standing building. Franchisor may, however, consider alternative sites, on a case-by-case basis. If Franchisee wishes to change the format of the Studio (e.g., from the Classic Model to the Pilates Model) during the term of this Agreement, Franchisee must first obtain Franchisor's prior written approval of the format change, be in Good Standing (as defined in Section 8.7, herein), have sufficient space in the Studio to accommodate the required equipment for the new Studio format, purchase any and all required equipment for the new Studio format, and sign any related amendments or addenda, including, but not limited to, the "Studio Conversion Addendum" attached hereto as Exhibit 6. Additionally, Franchisee must execute a general release in a form prescribed by Franchisor, and submit any other information and documentation as is then customarily required by Franchisor at the time the request is made. Franchisor has an unrestricted right to grant, condition, or deny any change of Studio format request.

B. Site Acceptance Process and Authorized Location. Before Franchisor considers accepting a location for the Studio, Franchisee must submit to Franchisor a complete report containing all information Franchisor may reasonably request concerning the proposed location, including, without limitation, population density, demographics, proximity to other Red Light Method Studios and other gyms, studios and fitness businesses, available parking, traffic flow and entrance to and exit from the site (the "Location Report"). Franchisor shall deliver to Franchisee written acceptance or rejection of a proposed location within 30 days after Franchisor receives the Location Report. Franchisor's approval of the proposed site shall be deemed to be a binding addendum to this Agreement upon Franchisor and Franchisee's execution of the "Studio Format, Authorized Location and Protected Territory Addendum," which is attached hereto as Exhibit 1(A) and incorporated herein by reference, and which will set forth the Authorized Location. Franchisor agrees not to unreasonably withhold its acceptance of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. While Franchisor will provide site selection assistance as specified in Section 6.1, herein, Franchisee alone is ultimately responsible for selecting and developing an acceptable location for the Studio. Franchisee agrees to hold Franchisor harmless with respect to the selection of the Authorized Location by Franchisee. Franchisee must obtain lawful possession of an Authorized Location by lease, purchase, or other method and open for regular, continuous business within nine (9) months of the date that Franchisor accepts this Agreement. The opening date may be extended an additional six (6) months in certain instances, as explained in Section 2.2D, below. Franchisor has the right to terminate this Agreement if Franchisee fails to select a site for the Studio that is acceptable to Franchisor, within the time period allotted above.

1.3 **Designated Market Area**. If the Authorized Location has not been identified at the time this Agreement is signed, Franchisee must identify a site approved by Franchisor within the following Designated Market Area: ____.

1.4 **Protected Territory**. Once the Authorized Location for the Studio has been identified, Franchisee will receive a certain protected geographic area ("Protected Territory") around the Authorized Location. The Protected Territory will be defined by cities and neighborhoods in Exhibit 1(A), hereto, and a map plotting the Protected Territory will be attached thereto, as Exhibit 1(B). The Protected Territory will be based on demographics and density, using our data analytics software, and public records and information, and will be decided by Franchisor in its sole discretion. In rural/suburban areas the Protected Territory will include a population of approximately 50,000 to 200,000 individuals, and in dense urban environments, such as, downtown metropolitan areas, the Protected Territory will include a population of approximately 25,000 to 100,000 individuals. Franchisor agrees that, (i) so long as Franchisee is in Good Standing, and (ii) the Studio can adequately accommodate all the prospective members in the Protected Territory as the Red Light Method brand grows and demand increases, neither Franchisor nor its affiliates will operate or establish, or authorize another Red Light Method franchisee to operate or establish, a Studio using the System or Marks within the Protected Territory. The Protected Territory may be modified under certain circumstances, as set forth below in Section 1.5. Franchisee agrees not to solicit business from customers in another Red Light Method franchisee's protected territory.

1.5 **Modification of the Protected Territory**. Franchisor, at its sole discretion, may modify the Protected Territory as follows:

A. If Franchisee commits a breach of its obligations or otherwise defaults under this Agreement, Franchisor may reduce, eliminate or otherwise modify Franchisee's rights in the Protected Territory or any right of first refusal under the then-applicable policy regarding site selection.

B. If the Studio reaches its maximum membership capacity and Franchisee does not or cannot expand the Studio at its Authorized Location and, consequently, cannot accept new members or provide services to all existing members of the Studio, then Franchisor may, at its sole discretion:

(i) offer Franchisee a right of first refusal to purchase and operate an additional Red Light Method Studio within the Protect Territory, which would include adjusting the Protected Territory to provide the additional Studio with its own protected territory; or

(ii) offer a new or existing franchisee the opportunity to purchase and operate a Red Light Method Studio within the Protect Territory, which would include adjusting the Protected Territory to provide such new or existing franchisee with its own protected territory for its Studio.

1.6 **Rights Reserved to Franchisor**.

A. Except for the right to operate a single Red Light Method Studio from the Authorized Location, Franchisee is not granted any rights to use the System and Marks in connection with any other channel of commerce or method of distribution, including, without limitation, distribution of products or services through any temporary or mobile facilities, sales through retail stores that do not operate under the Marks, sales made at wholesale, or sales via the Internet (collectively, the "Alternative Channels of Distribution"), all such rights being retained by Franchisor.

B. Franchisor reserves all rights not expressly granted to Franchisee under this Agreement, and specifically reserves the rights to operate, or to license others to operate:

(i) any kind of business in the Protected Territory awarded to Franchisee selling to customers located anywhere, whether or not using the Red Light Method brand and System, except for a Red Light Method Studio (subject to the modification of the Protected Territory in accordance with Section 1.5, above);

(ii) any kind of business anywhere outside of the Protected Territory awarded to Franchisee selling to customers located anywhere, whether or not using the Red Light Method brand and System, including without limitation, Red Light Method Studios.

C. Notwithstanding anything to the contrary in this Agreement or otherwise, Franchisor and/or any of Franchisor's affiliates can acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere, and including arrangements in which (i) other units are (or are not) converted to the Red Light Method brand or other format (including using the System and/or Marks) and/or (ii) Franchisor and/or any of Franchisor's affiliates are acquired, and/or company-owned, franchised or other businesses are converted to another format, maintained under the System or otherwise. All Studios owned by Franchisee will fully participate in any such conversion at Franchisee's expense, which shall not exceed $25,000. Franchisee shall have a period of twelve (12) months to complete the conversion.

2. ACCEPTANCE BY FRANCHISEE

2.1 **Acceptance by Franchisee**. Franchisee accepts this Agreement and the license granted herein and agrees to develop and operate the Studio on the terms and conditions specified herein. Franchisee agrees to follow the System requirements in the operation of its Studio, including, without limitation, its facilities, staff, advertising, operations, and all other aspects of Franchisor's business and the System now in effect and changed periodically. If this is Franchisee's first Red Light Method Studio, then Franchisee (and/or its Designated Operator, as defined in Section 17.3) and its proposed general manager must attend and complete Franchisor's initial training program to Franchisor's satisfaction, as set forth in Section 6.3 of this Agreement.

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

A. Franchisee's business and the Studio shall be identified only by those Marks approved in writing by Franchisor with at least one outside sign as designated by Franchisor.

B. Concurrently, with the signing of this Agreement, Franchisee must execute a personal guaranty in the form attached hereto as Exhibit 4 ("Personal Guaranty"). In the event Franchisee is a legal entity having more than one owner, all owners, shareholders, partners, joint venturers, and any other person who directly or indirectly owns a 10% or greater interest in Franchisee (the "Owners") must execute the Personal Guaranty. Any person or entity that at any time after the date of this Agreement becomes an Owner, pursuant to Section 14 or otherwise, shall, as a condition of becoming an Owner, execute Franchisor's then-current form of Personal Guaranty. Franchisor reserves the right to require any such guarantor's spouse or domestic partner under local law to co-sign the Personal Guaranty.

C. Franchisee shall submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. The lease must contain the provisions outlined in Section 7.2 and Exhibit 5 ("Lease Addendum").

D. Franchisee agrees that it shall open the Studio for regular, continuous business no later than nine (9) months after this Agreement is signed by Franchisor. If, through no fault of Franchisee, the Studio has not opened after nine (9) months, but substantial progress has been made, Franchisor may, at its sole discretion, extend the period of time to open for an additional six (6) months.

E. Franchisee agrees at all times to comply with the Manual, standards, operating systems, and other aspects of the System (collectively, the "System Standards") prescribed by Franchisor, which are subject to change at Franchisor's discretion.

3. TERM AND RENEWAL

3.1 **Term**. The term of this Agreement shall be for a period of ten (10) years beginning on the date this Agreement is accepted by Franchisor; provided, however, the term of this Agreement shall be shortened (but not extended) to conform to the term of the lease for the Authorized Location (if the lease is shorter than ten (10) years.) Franchisee agrees to operate the Studio for the entire term of this Agreement, unless Franchisee receives Franchisor's prior written approval to transfer its interest in the franchise pursuant to Section 14 of this Agreement, or unless the lease for the Authorized Location is terminated at no fault of Franchisee and Franchisee cannot find an alternative location to operate the franchise that is acceptable to Franchisor.

3.2 **Renewal**. Unless terminated at an earlier date, upon the expiration of the initial term, Franchisee shall have the right to renew this Agreement for a single additional ten (10) year term, or for option terms equal to the new or extended term of the lease for the Authorized Location (or suitable alternative location approved by Franchisor), subject to satisfaction of each of the following conditions:

A. Prior to each such renewal, Franchisee shall execute Franchisor's standard form franchise agreement being offered at the time of each such renewal. The provisions of each such renewal franchise agreement may differ from and shall supersede this Agreement in all respects, including, without limitation, changes in royalty and advertising fees, except that Franchisee shall pay the renewal fee specified in Section 3.2.G., instead of the initial franchise fee. Franchisee's failure or refusal to execute and return Franchisor's then-current standard form Franchise Agreement to Franchisor within thirty (30) days after receipt by Franchisee shall constitute Franchisee's election not to renew;

B. Franchisee shall demonstrate that it has the right to remain in possession of the Authorized Location for the duration of the renewal term, or that it has been able to secure and develop an alternative site acceptable to Franchisor;

C. In consideration of each such renewal of the franchise, Franchisee shall execute a general release in the form and substance satisfactory to Franchisor, releasing any and all claims against Franchisor and its affiliates, officers, directors, employees and agents;

D. At Franchisee's sole expense, Franchisee and Franchisee's supervisorial or managerial personnel shall complete such training as Franchisor may require to bring Franchisee into conformity with the then current qualifications and training requirements for new franchisees

E. Franchisee shall have completed or made arrangements to make, at Franchisee's expense such renovation and modernization of the Studio, including the interior and exterior of the building, grounds, leasehold improvements, signs, furnishings, fixtures, equipment, and decor as Franchisor reasonably requires so the Studio conforms with the then-current standards and image of Franchisor;

F. Franchisee, during the term of this Agreement, shall have substantially complied with all of the provisions of this Agreement and all other agreements with Franchisor, and shall be in compliance with the Manual and with Franchisor's policies, standards and specifications on the date of the notice of renewal and at the expiration of the initial term;

G. Franchisee shall pay to Franchisor a renewal fee of $7,777; and

H. Franchisee shall have given Franchisor written notice of renewal no less than 90 days or more than 180 days before expiration of the initial term.

I. For any lease term which extends the underlying lease for a period of time in excess of the remaining term of the Franchise Agreement, or any renewal period for the Franchise Agreement, Franchisee must obtain Franchisor's prior written consent to permit either the extended lease term or any additional franchise term.

3.3 **Franchisor's Refusal to Renew Franchise**. Franchisor may refuse to renew the franchise if Franchisee is in default under this Agreement, or any other agreement with Franchisor or an affiliate of Franchisor; if Franchisee has had two or more defaults, whether cured or not, during the term of this Agreement; or if Franchisee fails to satisfy any of the foregoing conditions. Subject to the above, Franchisor will not unreasonably deny renewal of a Franchise.

3.4 **Notice of Expiration Required by Law.** If applicable law requires that Franchisor give a longer period of notice to Franchisee than herein provided prior to the expiration of the initial term or any additional term, Franchisor will give such additional required notice. If Franchisor does not give such required additional notice, this Agreement shall remain in effect on a month-to-month basis until Franchisee has received such required notice.

4. TRADEMARK STANDARDS

4.1 **Name and Ownership**. Franchisee acknowledges the validity of the Mark "RED LIGHT METHOD" and all other Marks that now or in the future are or will be part of the System and agrees and recognizes that the Marks are the sole and exclusive property of Franchisor. Franchisee further acknowledges that Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of a Red Light Method Studio pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee shall be a breach of this Agreement and an infringement of the rights of Franchisor and its affiliates. Franchisee's use of the Marks inures to the benefit of Franchisor, which owns all goodwill now and hereafter associated with the Marks. Franchisee agrees not to contest ownership or registration of the Marks. Licensor owns all right, title and interest in and to the Marks, and Franchisee has and acquires hereby only the qualified license granted in this Agreement.

4.2 **Use**.

A. Franchisee shall not use any Mark as part of the name of any corporation, limited liability company or other entity that Franchisee may form, including any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form. Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Franchisor and shall conduct no other business than that prescribed by Franchisor. Franchisee shall not use any other mark, name, commercial symbol or logotype in connection with the operation of the Studio and shall not market any product relating to the Studio without Franchisor's written consent, and if such consent is granted, such product must be marketed in a manner acceptable to Franchisor. Franchisor may also permit Franchisee to use from time-to-time other trademarks, service marks, trade names and commercial symbols as may be designated in writing. Franchisee and its employees and agents will not engage in any acts or conduct that impair the goodwill associated with the Marks.

B. Franchisee agrees to give such notices of trademark and service mark registrations and copyrights as Franchisor specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law.

C. Franchisee is prohibited from using the Marks in advertising, promotion or otherwise, without the appropriate "©" or "®" (copyright and registration marks) or the designations "™" or "℠" (trademark and service mark), where applicable.

D. Franchisee must not establish a website, a URL, or any email account(s) using any domain name containing the Marks or any variation thereof without the prior written consent of Franchisor.

E. Franchisee and its employees and agents will not engage in any acts or conduct that impairs the goodwill associated with the Marks.

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

4.4 **Modification, Discontinuance or Substitution**. As the System evolves over time, the current Red Light Method trade name, logo, and Marks may change. Franchisor reserves the right, if necessary, in Franchisor's sole judgment, to change the principal Mark(s) of the System on a national or regional basis. Upon receipt of notice of any such change from Franchisor, Franchisee shall promptly, at Franchisee's expense, adopt a new principal Mark(s) designated by Franchisor to identify the Studio. Franchisor shall have no liability or obligation whatsoever with respect to Franchisee's change of any Mark. Franchisor shall have no liability for any expenses or damages incurred by Franchisee as a result of Franchisor's election to change the use of any or all of the Marks.

4.5 **Franchisor's Revenues**. Franchisor and its affiliates may offer to sell to Franchisee, at a reasonable profit, various products and services, and reserve the right to receive fees or other consideration in connection with "RED LIGHT METHOD" sales promotion and advertising programs or from System vendors.

5. FEES

5.1 **Initial Franchise Fee.** Franchisee agrees to pay Franchisor an "Initial Franchise Fee" in the sum of $50,000 for a single Red Light Method Studio upon the execution of this Agreement in the form of a cashier's check, wire transfer, or electronic check ("eCheck"). The Initial Franchise Fee is used, among other things, to offset Franchisor's costs and expenses relating to site selection assistance, initial training, establishment of suppliers, inspection, testing and other quality control programs, design assistance, project management, initial marketing and grand opening assistance, as well as Franchisor's other costs in helping Franchisee open the franchise. The Initial Franchise Fee shall be fully earned by Franchisor upon payment and is not refundable, in whole or in part, under any circumstances.

If Franchisee enters into an area development agreement with Franchisor ("Area Development Agreement") for the development of three (3) Red Light Method Studios, Franchisee will pay Franchisor a Development Fee in the sum of $120,000. Each time Franchisee signs a Franchise Agreement for a Red Light Method Studio developed pursuant to an Area Development Agreement, Franchisor will credit the amount paid for that Red Light Method Studio as part of the Development Fee against the amount of the Initial Franchise Fee due for such Red Light Method Studio. The Initial Franchise Fee due for each Red Light Method Studio developed pursuant to an Area Development Agreement is $40,000.

5.2 **Royalty Fee.** Beginning from the day Franchisee starts receiving payments for services and products in connection with the Studio, which may be before the Studio first opens for business, and continuing during the term of this Agreement, Franchisee agrees to pay Franchisor monthly, without setoff, credit or deduction of any nature, a royalty fee (the "Royalty Fee"). The Royalty Fee will be equal to six percent (6%) of Franchisee's Gross Sales (as that term is defined in Section 5.3, below) generated by the Studio over the immediately preceding month. Beginning one year from the date the Studio opens for business, Franchisee will be required to pay a minimum Royalty Fee of $1,500, such that the Royalty Fee will be six percent (6%) of Franchisee's Gross Sales or $1,500, whichever amount is greater. Franchisee authorizes Franchisor to collect payment of the Royalty Fee using the method(s) of payment as specified in Section 5.9, below.

5.3 **Gross Sales.** "Gross Sales" as used herein shall mean the total revenues Franchisee receives, directly or indirectly, from all business conducted at or in connection with the Studio, including, but not limited to, the sale and pre-sale of memberships, red light therapy sessions, and Power Plate and Pilates classes, all gift cards, and other products and services at or through the Studio, and all proceeds from any business interruption insurance related to the non-operation of the Studio. "Gross Sales" does not include (i) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (ii) the value of any allowance issued or granted to any client of the Studio that is credited in good faith by Franchisee in full or partial satisfaction of the price of the products or services offered in connection with the Studio.

5.4 **Marketing Fund Contribution.** Beginning from the day Franchisee starts receiving payments for services and products in connection with the Studio, which may be before the Studio first opens for business, and continuing during the term of this Agreement, Franchisee agrees to pay Franchisor monthly, two percent (2%) of Franchisee's Gross Sales, without set-off, credit or deduction of any nature, for national advertising and marketing services ("Marketing Fund Contribution"), at the same time and in the same manner as the Royalty Fee is paid. Franchisor, at its discretion, may increase or decrease the Marketing Fund Contribution upon thirty (30) days' written notice to Franchisee; however, no increase shall exceed three percent (3%) of Franchisee's Gross Sales. The Marketing Fund Contribution shall be expended in accordance with Section 9.1, herein.

5.5 **Local Marketing/Advertising Expenses.** Franchisee agrees to spend each month no less than $1,000 on local marketing, advertising, and promotion of the Studio. Franchisor recommends that Franchisee spend more than the required minimum amount on local marketing in the first year or until Franchisee reaches monthly Gross Sales of $60,000. When/if Franchisee reaches Gross Sales of $60,000 per month, Franchisee will not be required to continue spending the minimum amount each month on marketing and advertising expenses. However, if Franchisee's Gross Sales drop below $60,000 per month, then Franchisee will be required to resume spending the minimum monthly amount on marketing and advertising expenses. (See Section 9.2 for more details on Local Marketing/Advertising.)

5.6 **Technology Fees**. Franchisor may, at its option, make available to Franchisee certain technology services and software programs that Franchisee is required to use in the operation of the Studio and charge Franchisee a fee for such services and software ("Technology Fees"). These fees will help cover the costs and expenses associated with developing, implementing, licensing or otherwise using and integrating the technology Franchisor determines appropriate to provide as part of the System or otherwise in connection with the Studio and/or the Studio network. Franchisor may charge Franchisee ongoing fees for providing technology services including, but not limited to, setting up and managing an internal website, intranet, email accounts, microsites, electronic document storage, educational resources, Google and meta pages, and other technology support. Additionally, Franchisor may provide a single software program or bundle the costs of multiple software programs and charge Franchisee one monthly fee for all the software programs, including an administrative fee. Franchisor may also charge Franchisee any applicable setup fees associated with the software programs. If Franchisor elects to provide any of the aforementioned technology services and/or software programs to Franchisee, Franchisee agrees to pay Franchisor monthly for the Technology Fees, as specified in Section 5.8, below. The amount of the Technology Fees may change from time to time during the term of this Agreement.

5.7 **Methods of Payment; Electronic Transfer.**

A. Franchisor reserves the right to collect the Royalty Fee, Marketing Fund Contribution, Technology Fees, and any other fees owed to it by Franchisee via any method and frequency that Franchisor determines appropriate. Currently, all such amounts (including fees, interest, and other payments required under this Agreement) must be paid via automatic debit from Franchisee's point-of-sale ("POS") operating account, administered by the approved supplier of POS services designated by Franchisor, on a monthly basis throughout the term of this Agreement, subject to modification on reasonable written notice.

B. All amounts due to Franchisor or its affiliates for the purchase of products, services or otherwise are due upon receipt of an invoice from Franchisor or such affiliate. Any payment not actually received by Franchisor or its affiliates on or before the due date will be deemed overdue.

C. Franchisee agrees to complete and execute an "Electronic Funds Transfer Agreement" (attached as Exhibit 2 to this Agreement) and any other form, including, without limitation, an "Electronic Debit Authorization" (attached as Exhibit 3 to this Agreement) for the purpose of authorizing an electronic debit, and to submit any information required by Franchisor for such authorization.

D. Franchisee agrees to install at its expense and use such pre-authorized payment and computerized point of sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking system as Franchisor in its discretion may require. This requirement may be specified by Franchisor to fulfill any business purpose reasonably related to the operation of the franchise and the System or to permit Franchisee to make all required payments to Franchisor by automatic bank transfer.

E. The parties agree and acknowledge that Franchisor may designate and subsequently modify the interval at which it collects Franchisee's Royalty Fee, Marketing Fund Contribution, and other recurring fees under this Agreement upon written notice. In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.

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

5.9 **Support Fee**. If Franchisee fails to have a trained Designated Operator (defined in Section 17.5) or trained Studio Manager at any time during the term of this Agreement, Franchisor may provide such qualified personnel to Franchisee to fill said vacancy and charge Franchisee a support fee in the amount of $3,500 per week until a replacement or successor Designated Operator or Studio Manager has successfully completed training.

5.10 **All Other Amounts Due in Connection with the Franchised Business**. In addition to the specified fees and amounts above, Franchisee will be required to pay or expend in connection with (i) building out and constructing the Studio, including all initial inventory and suppliers necessary to commence operations; (ii) a monthly music licensing fee for music required to be played at the Studio; and (iii) the items and services that Franchisee will be required to obtain and/or maintain throughout the term of this Agreement in accordance with the System Standards and specifications. Franchisor may require Franchisee to purchase any of the foregoing items or services from Franchisor, its affiliate or any other Approved Supplier.

5.11 **No Accord or Satisfaction; Application of Funds.**

A. If Franchisee pays, or Franchisor otherwise receives, a lesser amount than the full amount due under this Agreement for any payment due hereunder, such payment or receipt shall be applied against the longest outstanding amount due Franchisor. Franchisor may accept any check or payment in any amount without prejudice to Franchisor's right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction. Franchisor and any of its affiliates' acceptances of any payments made by Franchisee shall not be construed to be a waiver of any breach or default of any provision in this Agreement.

B. Notwithstanding any designation by Franchisee, Franchisor shall have the sole discretion to apply any payments made by, or on behalf of, Franchisee (and to apply any amounts owed to Franchisee or any of its affiliates by Franchisor or any of Franchisor's affiliates) to any of Franchisee's past due indebtedness for Royalty Fees, Marketing Fund Contributions, and other amounts owing to Franchisor or any of Franchisor's affiliates, interest or any other indebtedness of Franchisee or any of Franchisee's affiliates to Franchisor or any of Franchisor's affiliates. No restrictive endorsement on any check or in any letter or other communications accompanying any payment shall bind Franchisor or any of its affiliates.

6. FRANCHISOR SERVICES

6.1 **Site Selection and Lease Negotiations**. Franchisee is responsible for locating, obtaining, and evaluating the suitability and prospects of the Studio location, and for the review and negotiation of the lease. However, Franchisor, at Franchisee's request, will work closely with and assist Franchisee in site selection and the review and negotiation of Franchisee's lease by furnishing Franchisee with Franchisor's confidential site evaluation criteria, by consulting with and counseling Franchisee, and, at Franchisor's discretion, conducting field inspections of proposed sites at mutually convenient times. The site/premises for a Classic Model Studio must be at least 1,500 square feet and the Pilates Model must be at least 2,000 square feet. Franchisor must approve Franchisee's site selection. Franchisor agrees not to withhold approval unreasonably of a site that meets its site criteria. Franchisee acknowledges that Franchisor's approval of a proposed site is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location, and cannot create a liability for Franchisor. If Franchisor and Franchisee are not able to agree upon a site for the Studio within the time period allotted in Section 1.2, herein, Franchisor may terminate this Agreement.

6.2 **Unit Development**. Franchisor shall consult and advise Franchisee on the proper display of the Marks, layout and design, procurement of the red light therapy wraps, Power Plate equipment, and Pilates reformers (if applicable), and related spa/gym equipment, the Studio products, initial inventories, furniture and fixtures, and managing construction or remodeling of the Studio. After Franchisee has executed a lease for the Authorized Location, Franchisor shall deliver to Franchisee specifications and standards for building, equipment, furnishings, fixtures, layout, design and signs relating to the Authorized Location and shall provide reasonable consultation in connection with the development of the Studio. Franchisee's architect must make any layout, design and specifications provided by Franchisor site-specific. Franchisee agrees to make no changes, alterations or modifications whatsoever to the selected layout and design without obtaining prior written consent from Franchisor. If there is a conflict between Franchisee and Franchisor regarding the layout and design of the Store, Franchisor's recommendations shall control.

6.3 **Training.**

A. Initial Training. Prior to the opening of the Studio and at no charge beyond the Initial Franchise Fee, Franchisor will provide initial training (the "Initial Training Program") at its training facility located in Bentonville, Arkansas, or at another location designated by Franchisor, and online, to Franchisee and its designated Studio manager ("Studio Manager"); provided, however, Franchisee and its Studio Manager must attend such training simultaneously. Franchisee may elect to receive some or all of the Initial Training Program online; however, Franchisor highly recommends that Franchisee attend the training in person. Subject to availability, and with Franchisor's approval, Franchisee may have an additional employee attend the Initial Training Program, simultaneously with Franchisee and its Studio Manager, at no charge. If Franchisee is a business entity, then the Designated Operator(s), as identified in Section 17.3, and the Studio Manager must successfully complete the Initial Training Program, and any additional required training, and comply on an ongoing basis with all ongoing/refresher training requirements.

The length of the Initial Training shall be at the discretion of Franchisor and will be available in person and online. The Initial Training will cover basic aspects of establishing and operating the Studio, including red light therapy wrap techniques, use of the Power Plates and Pilates reformers (if applicable), and other related services and products provided at the Studio, the Computer System, including the class scheduling and POS systems, forms, cost control, purchasing, inventory control and disposition, customer service, marketing, selling skills, employee hiring, training and scheduling procedures, job functions and maintenance of quality standards.

All of the required training is mandatory. Franchisee (or the Designated Operator) and the Studio Manager must satisfactorily complete the Initial Training Program, which includes attendance, in person or online, at all scheduled training days and times, as communicated in advance of the training, within the timeframe established by Franchisor. Franchisee is responsible for all travel, lodging, food, wages, wage related expenses and other expenses in connection with the Initial Training for Franchisee, the Studio Manager and any other employee of Franchisee who attends the training. Franchisee agrees that it will require all Studio Managers employed after the Studio is opened to complete the Initial Training Program. Each Studio Manager shall attend and complete the next available Initial Training Program following the commencement date of his/her employment.

If warranted by government regulations, emergency guidelines, enforced quarantines, travel restrictions, a natural disaster, force majeure or other event outside of Franchisor's control, Franchisor reserves the right to conduct any and all training, classes, courses, meetings, and conferences, online, telephonically, or otherwise, or to cancel or delay any and all such training, classes, courses, meetings, and conferences.

B. Ongoing/Refresher Training. From time to time, Franchisor may offer system-wide ongoing or refresher training to the Red Light Method Franchisees and/or their Studio Manager for a reasonable fee, such training may include courses, meetings, seminars and conventions. Franchisee agrees to personally attend or have its Studio Manager (if approved by Franchisor) attend any and all required ongoing or refresher training. In addition to paying any required training fee(s), Franchisee will be responsible for all compensation, travel and living expenses of Franchisee and/or its Studio Manager during training.

6.4 **Operations Manual**. Franchisor will grant Franchisee online access to an electronic version of the Manual during the term of this Agreement. The Manual is anticipated to codify existing mandatory and suggested specifications, standards and operating procedures currently prescribed by Franchisor. Franchisee acknowledges that Franchisor may from time to time revise its System as well as the contents of the Manual, and Franchisee agrees to comply with each new or changed standard and specification upon notice from Franchisor. Any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. The Manual shall remain the sole property of Franchisor and shall be kept confidential by Franchisee both during the term of this Agreement and subsequent to the termination, expiration, or non-renewal of this Agreement. If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated damages in the amount of $10,000, to compensate Franchisor for the breach and related damage to the System.

6.5 **Continuing Services**. Franchisor shall provide such continuing advisory assistance and information to Franchisee in the development and operation of the Studio as Franchisor deems advisable. Such assistance may be provided, in Franchisor's discretion, by Franchisor's directives, System bulletins, meetings and seminars, telephone, computer, e-mail, personal visits, newsletters or manuals. Franchisor may provide regular consultation and advice to Franchisee in response to inquiries from Franchisee regarding administrative and operating issues that Franchisee brings to Franchisor's attention. Franchisor may make recommendations that it deems appropriate to assist Franchisee's efforts. However, Franchisee alone will establish all requirements, consistent with Franchisor's policies, regarding (i) employment policies, hiring, firing, training, wage and hour requirements, record keeping, supervision, and discipline of employees; (ii) the individuals to whom Franchisee will offer and sell its products and services; and (iii) the suppliers from whom Franchisee obtains any products or services used in or at the Studio for which Franchisor has not established Approved Suppliers. The rendering of any consultation, advise, assistance, consent, approval or services by Franchisor, as set forth in this Agreement, does not constitute any assurance or guaranty that such consultation, advice, assistance, consent, approval or services will result in any level of success of Franchisee's business. Any Franchisor services set forth in this Agreement may be provided by Franchisor and/or representative(s) or designee(s) of Franchisor.

6.6 **Approved/Designated Suppliers, Products and Services.**

A. Franchisor shall provide and from time to time, add to, alter or delete, at Franchisor's discretion, lists of specifications, approved distributors and suppliers, approved services, products, materials and supplies, and training that may benefit Franchisee in the operation of the Studio. Franchisor has the right to require that Franchisee obtain products and services specified by Franchisor from time to time exclusively from suppliers designated or approved by Franchisor. Franchisor has the right to designate or approve a single supplier or multiple suppliers for any specified product/service and to designate a single supplier as an exclusive supplier of a required product or service. Suppliers may include, and may be limited to, Franchisor and/or companies affiliated with Franchisor. Franchisee must not offer or sell any products or services not approved by Franchisor. If Franchisor disapproves a particular item, Franchisee will not use it.

B. Designation or approval of a supplier may be conditioned on factors established by Franchisor as it considers appropriate, including without limitation performance relating to frequency of delivery, standards of service, inability to maintain quality/adequate supply of goods, inability to meet or maintain acceptable pricing, and payment or other consideration to Franchisor or parties designated by Franchisor. Franchisor can approve, or revoke or deny approval, of particular items or suppliers in its sole discretion. Franchisor and its affiliates reserve the right to receive rebates, incentive amounts, discounts and other economic benefits from any supplier and have the right to realize a profit on the sales of products and/or services to Franchisee.

6.7 **Pricing.** Franchisor has developed an image that is based in part on consistent and reasonable prices for products and services offered by the System. To promote a consistent consumer experience, and to maximize the value of limited advertising expenditures, and subject to applicable state law, Franchisor may require fixed minimum or maximum prices for any products or services offered by the System and Franchisee. Franchisee is obligated to use the pricing required by Franchisor, unless Franchisor consents to changes in local pricing offered by Franchisee in order to (i) allow Franchisee to respond to unique, local, marketing conditions, competition, or expenses; or (ii) comply with changes or interpretations in State or Federal anti-trust laws. Consistent with State or Federal law, Franchisor reserves the right to change or eliminate its pricing program in the future, or to move from a required to recommended pricing structure. Franchisee acknowledges and agrees that any maximum, minimum or other prices Franchisor prescribes or suggests may or may not optimize the revenues or profitability of the Studio and Franchisee irrevocably waives any and all claims arising from or related to Franchisor's prescription or suggestion of the Studio's retail prices.

6.8 **National Marketing Fund.** Franchisor may, in its sole discretion, and depending on the quantity of franchised Studios, their locale, and the cost of effective media, institute, maintain and administer a national marketing fund for such advertising or public relations programs as Franchisor, in its discretion, may deem necessary or appropriate to advertise and promote the Red Light Method brand pursuant to Section 9.1 of this Agreement.

6.9 **Grand Opening Advertising Assistance.** Franchisor shall consult and advise Franchisee on the advertising, marketing, and promotion for the Grand Opening of the Studio.

6.10 **Notice of Completion of Pre-Opening Obligations**. After Franchisor has completed its pre-opening obligations to Franchisee under this Agreement, Franchisor may require Franchisee to sign and deliver to Franchisor confirmation that Franchisor has performed its pre-opening obligations in a form that Franchisor reasonably requests ("Notice of Completion"). If Franchisor asks Franchisee to provide Franchisor with such Notice of Completion, Franchisee must sign and deliver it to Franchisor within five (5) days after Franchisor's request. The term "pre-opening obligations" means the obligations Franchisor has provided to Franchisee under this Agreement that must be performed before the date that the Franchised Business starts its operations. If Franchisee reasonably believes that Franchisor has not completed its pre-opening obligations to Franchisee, Franchisee must provide Franchisor with a notice in writing, withing that same five (5) day period, specifying those pre-opening obligations that have not been performed ("Remaining Obligations"). Within five (5) days following our completion of the Remaining Obligations, Franchisee must execute and deliver to Franchisor the Notice of Completion notwithstanding that Franchisor's performance of such obligations was concluded after the time of performance required by this Agreement. In the event Franchisee fails to timely sign and deliver to Franchisor a Notice of Completion (or notice of Remaining Obligations) Franchisee will be deemed to have confirmed that all of Franchisor's pre-opening obligations have been met.

7. FACILITY STANDARDS, LEASE AND CONSTRUCTION

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

A. The Studio shall be laid out, designed, constructed or improved, equipped and furnished in accordance with Franchisor's standards and specifications. Equipment, furnishings, fixtures, decor and signs for the Studio shall be purchased from suppliers approved by Franchisor. Although Franchisor may set a specification or require use of an approved supplier in its sole discretion, Franchisor makes no representations or warranties about the specification, or about the goods or services provided by such supplier. Franchisor is not liable for any damages, injuries or losses caused by or due to the actions, services or products supplied to Franchisee from any third-party supplier approved by Franchisor. Franchisee acknowledges that it is responsible for supervising the build-out of the Studio and the installation of equipment, fixtures and signage. Franchisee may remodel or alter the Studio, or change its equipment, furniture or fixtures, only with Franchisor's consent. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements. The Studio shall contain or display only signage that has been specifically approved or designed by Franchisor.

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

C. Franchisee recognizes that the System will evolve. The Red Light Method System must change to meet customer demands. Franchisee further understands that the Studio equipment, including, but not limited to, the red light therapy wraps, Power Plate equipment, Pilates reformers, and other related equipment, may wear out, break down, or become obsolete. Consequently, from time to time, as Franchisor requires, Franchisee must modernize and/or replace items of the trade dress or Studio equipment as may be necessary for the Studio to conform to the standards for new Red Light Method Studios. Further, Franchisee will be required to thoroughly modernize or remodel the Studio when requested by Franchisor, but no more than once every 5 years. This may include replacing the red light therapy wraps, Power Plate equipment, and Pilates reformers, and other updates and improvements. Franchisee acknowledges that this obligation could result in Franchisee making extensive structural changes to, and significantly remodeling and renovating of, the Studio, and Franchisee agrees to incur the capital expenditures required in order to comply with this obligation and Franchisor's requirements. After receiving written notice from Franchisor, Franchisee shall have plans prepared according to the standards and specifications that Franchisor prescribes, and Franchisee must submit those plans to Franchisor for its approval within 60 days. Franchisee agrees to complete all work according to the plans that Franchisor approves within the time period that Franchisor reasonably specifies and in accordance with this Agreement. Franchisor, or its affiliate, will hold themselves, and the Studios they operate (if any) to the same high standard, and same frequency for replacement and renovation as is expected of Franchisee. If the remaining term under this Agreement is less than twenty-four (24) months, then Franchisee will not be required to make such improvements, replacements, or renovations at that time.

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

E. Franchisor may place in a conspicuous location signage, language and informational materials, including, without limitation, a brochure rack on the customer counter and various signage and/or language on the front doors and/or windows relating to its franchise opportunities at any time during the term of this Agreement and any extensions to this Agreement.

7.2 **Lease**. Franchisee is solely responsible for purchasing or leasing a suitable site for the Studio. Franchisee must submit the lease for the Studio to Franchisor for its written consent before Franchisee executes the lease for the Authorized Location. Franchisor will not withhold consent arbitrarily; however, any lease must contain substantially the following provisions: (1) "The leased premises will be used only for the operation of a Red Light Method Franchise;" (2) "The employees of Franchisor will have the right to enter the leased premises to make any modifications necessary to protect the System and proprietary marks thereof;" (3) "Lessee agrees that Lessor may, upon request of Franchisor disclose to said Franchisor all reports, information or data in Lessor's possession with respect to sales made in, upon or from the leased premises;" and (4) a conditional assignment clause to be contained in a lease rider in a form approved by Franchisor, which shall provide that Franchisor (or its designee) may, upon termination, expiration, non-renewal or proposed assignment of this Agreement, at Franchisor's sole option, take an assignment of Franchisee's interest thereunder, without the consent of the Lessor or property owner, without liability for accrued obligations, payment of additional consideration or increase in rent, and at any time thereafter, reassign the lease to a new franchisee. Franchisor's execution of this Agreement is conditioned upon the above-referenced lease addendum in the form attached hereto, as Exhibit 5 ("Addendum to Lease"), which shall be signed by Franchisee and attached and made part of the lease for the Studio. Franchisee acknowledges that it has been advised to have any lease reviewed by Franchisee's own legal counsel.

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

A. Obtain any standard plans and/or specifications from Franchisor;

B. Employ a qualified licensed architect, as required by state or local codes to prepare all drawings, designs, plans and specifications for the Studio, and submit same to Franchisor for review and approval prior to commencing construction;

C. Complete the construction or remodeling of the Studio in full and strict compliance with plans and specifications approved by Franchisor, and in compliance with all applicable ordinances, building codes and permit requirements;

D. Purchase or lease, in accordance with Franchisor's standards and specifications, all equipment, fixtures, inventory, supplies and signs required for the Studio;

E. Hire and train the initial supervisorial and managerial personnel according to Franchisor's standards and specifications; and

F. Complete development of and have the Studio open for business not later than nine (9) months after the date that Franchisor accepts this Agreement.

7.4 **Franchisee's Responsibility.** Although Franchisor may provide Franchisee with various standard or sample plans and specifications with respect to constructing and equipping the Studio, it is Franchisee's sole responsibility to construct and equip the Studio in compliance with all applicable federal, state and local laws and regulations, including, without limitation, all building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health laws, sanitation laws, Americans with Disabilities Act and all other requirements that may be prescribed by any federal, state or local governmental agency.

8. STUDIO IMAGE AND OPERATING STANDARDS

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

8.2 **Franchisor's Right to Inspection**. To determine whether Franchisee is complying with this Agreement and Franchisor's standards and specifications, Franchisor reserves the right to supervise, determine and approve the standards of appearance, quality and service pertinent to the Studio including, without limitation, the right at any reasonable time and without prior notice to Franchisee to: (1) inspect and examine the business premises, the equipment, facilities and operation of the Studio; (2) interview Franchisee and Franchisee's employees; (3) interview Franchisee's customers, suppliers and any other person with whom Franchisee does business; (4) confer with members and staff of government agencies with authority over Franchisee about matters relevant to the Studio; and (5) use "mystery shoppers," who may pose as customers and evaluate Franchisee and Franchisee's operations.

8.3 **Personnel.** Franchisee agrees to employ in the operation of the Studio only persons of high character and ability who maintain and exhibit traits of enthusiasm, cleanliness, neatness, friendliness, honesty and loyalty, it being recognized by Franchisee that such persons are necessary in order to promote and maintain customer satisfaction and the goodwill of the System. Franchisee agrees to staff the Studio at all times with a sufficient number of qualified, competent personnel who have been trained in accordance with Franchisor's standards. All employees Franchisee hires or employs at the Studio will be Franchisee's employees and Franchisee's employees alone, and will not, for any purpose, be deemed to be Franchisor's employees or subject to Franchisor's direct or indirect control, most particularly with respect to any mandated or other insurance coverage, taxes or contributions, or requirements regarding withholdings, levied or fixed by any governmental authority. Franchisee will file its own tax, regulatory and payroll reports, and be responsible for all employee benefits and workers compensation insurance payments for its employees and operations. Franchisor will not have the power to hire or fire Franchisee's employees. Franchisor's authority under this Agreement to train and approve Franchisee's supervisorial or managerial personnel for qualification to perform certain functions at the Studio does not directly or indirectly vest Franchisor with the power to hire, fire or control any of Franchisee's personnel. Franchisee will be solely responsible for all hiring and employment decisions and functions relating to the Studio, including those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees, regardless of whether you have received advice from us on these subjects or not. Franchisee is responsible for obtaining its own independent legal advice regarding the hiring of employees and independent contractors, and complying with any and all applicable laws pertaining thereto. Franchisee shall engage in no discriminatory employment practices and shall in every way comply with all applicable laws, rules and regulations of federal, state and local governmental agencies, including, without limitation, all wage-hour, civil rights, immigration, employee safety and related employment and payroll related laws. Franchisee shall make all necessary filings with, and to pay all taxes and fees due to, the Internal Revenue Service and all other federal, state and local governmental agencies or entities to which filings and payments are required. Any guidance Franchisor may give Franchisee regarding employment policies should be considered merely examples. Franchisee will be responsible for establishing and implementing its own employment policies, including, but not limited to, creating its own employee handbook, and should do so in consultation with local legal counsel experienced in employment law.

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

A. Franchisee acknowledges that the presentation of a uniform image to the public and the offering of uniform services and products is an essential element of a successful franchise system. In order to insure consistency, quality and uniformity throughout the System, Franchisee agrees (1) to sell or offer for sale only the services or products that have been expressly approved for sale by Franchisor for the applicable Studio format (i.e., Classic Model or Pilates Model); (2) to sell or offer for sale all services and products required by Franchisor for the applicable Studio format; (3) not to deviate from Franchisor's standards and specifications; and (4) to discontinue selling and offering for sale any services or products that Franchisor may, in its discretion, disapprove at any time. Franchisor shall supply Franchisee with a list of suppliers from which Franchisee is required to purchase the equipment, products, and services for the Studio. Franchisor may change this list from time to time, and upon notification to Franchisee, Franchisee shall only purchase equipment, products, and services for the Studio from approved suppliers as specified on the changed list. Franchisee agrees to keep the Studio and its equipment in clean condition, with all equipment well-maintained and operational, and be able at all times during business hours to provide customers with all services and products specified by Franchisor.

B. Franchisee agrees that all equipment, including the red light therapy, Power Plate and Pilates equipment, must be purchased exclusively from approved suppliers, and must be maintained according to manufacturer or Franchisor specifications, as applicable.

C. If Franchisee proposes to offer for sale any products or services that have not been approved by Franchisor, Franchisee shall first notify Franchisor in writing and submit sufficient information, specifications, and samples concerning such product or service and the supplier for a determination by the Franchisor whether such product or service and the supplier comply with the Franchisor's specifications and standards and/or whether such supplier meets the Franchisor's approved supplier criteria. Franchisor shall, within ninety (90) days, notify Franchisee in writing whether or not such proposed product and/or supplier or service is approved, as determined in Franchisor's discretion. Franchisor reserves the right to charge Franchisee reasonable costs in connection with Franchisor's review, evaluation and approval of alternative suppliers. These charges may include reimbursement for travel, accommodations, meal expenses, and personnel wages. Franchisor may from time to time prescribe procedures for the submission of requests for approved products and/or suppliers or services and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be executed by approved suppliers). Franchisor reserves the right to revoke its approval of a previously authorized supplier, product, or service when Franchisor determines in its discretion that such supplier, product or service is not meeting the specifications and standards established by Franchisor. If Franchisor modifies its list of approved products, and/or suppliers and/or services, Franchisee shall not, after receipt in writing of such modification, reorder any product or utilize any supplier, product or service that is no longer approved.

D. Franchisor is always interested in improving the System, the Franchisee and consumer experience, and welcomes feedback (positive or negative) on all approved suppliers and vendors. In the event Franchisee is not happy or satisfied with a particular approved supplier, product or service, Franchisee agrees to notify Franchisor within 30 days of any complaint or issue with an approved supplier, product, or service, and provide Franchisor with any evidence or other relevant information that Franchisor may request to investigate the issue, including Franchisee's completion of a standard form of complaint prepared by Franchisor.

E. Franchisee acknowledges and agrees that Franchisor may become an approved supplier for the Studio equipment, products, logo items, signage, and artwork, that Franchisor may derive income from the sale of such items, and that the price charged by Franchisor may reflect an ordinary and reasonable profit consistent with a business of the kind that produces and/or supplies such items.

F. Franchisee acknowledges and agrees that Franchisor may sell equipment and products, to customers located anywhere, even if such equipment and products are similar to what Franchisor sells to Franchisee and what Franchisee offers at the Studio. Franchisor may use the internet or alternative channels of commerce to sell Red Light Method brand products.

G. Franchisee may only sell the products and services from the Studio's Authorized Location and may only use the internet or alternative channels of commerce to offer or sell the products and services, as permitted by Franchisor, in order to register members for services provided at the Studio. Nothing in the foregoing shall prohibit Franchisee from obtaining customers over the Internet provided Franchisee's Internet presence and content comply with the requirements of this Agreement.

8.5 **Compliance with Laws.**

A. Franchisee agrees to comply with all federal, state and local laws, rules, and regulations and shall as soon as practicable, but in any event prior to the opening for business of the Studio, obtain all municipal and state permits, certificates or licenses necessary to operate the Studio and shall file and publish, if required by applicable law, a certificate of doing business (whether under a fictitious name or otherwise). Franchisee acknowledges and agrees that it has the sole responsible to investigate and comply with any applicable laws in the state where the Studio is located that are specific to the operation of a Studio. Franchisee shall operate and maintain the Studio in strict compliance with all employment laws, building codes, fire and safety codes, environmental laws, Occupational Safety and Health Administration laws, health and safety laws, sanitation laws, Americans with Disabilities Act and any other requirements that may be prescribed by any federal, state or local governmental agency. Franchisee agrees to provide immediately Franchisor with a copy of any notice received by Franchisee from any state, local or governmental agency pertaining to compliance with any codes or requirements, or the failure to comply with any codes or requirements, at the Studio.

B. Franchisee hereby certifies and represents that Franchisee, and any of its affiliates, any of its partners, members, shareholders or other equity owners, and their respective employees, officers, directors representatives or agents, are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person," or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule or regulation that is enforced or administered by the Office of Foreign Assets Control. Franchisee hereby agrees to defend, indemnify and hold harmless Franchisor from and against any and all claims, damages, losses, risks, liabilities and expenses (including attorneys' fees, costs and interest) arising from or related to any breach of the certifications set forth in this paragraph.

C. Franchisee shall manage the Studio and its staff in compliance with all laws, the Manual and any other general policies as prescribed by Franchisor. Franchisee agrees to abide by all employment laws, including, without limitation, Title VII of the Civil Rights Act, Family and Medical Leave Act, ADA, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all state wage and hour laws, Internal Revenue Code and the immigration laws. Franchisor may from time to time provide information or training to assist Franchisee in gaining knowledge about applicable laws, but this does not in any way relieve Franchisee of its full responsibility and sole obligation to comply with such laws.

D. Franchisee shall honor all credit, charge, courtesy, and cash cards that Franchisor approves in writing. To the extent Franchisee stores, processes, transmits, or otherwise accesses or possesses cardholder data in connection with the sale of products and services at the Studio, Franchisee is required to maintain the security of cardholder data and adhere to the then-current credit card security standards which can be found at www.pcisecuritystandards.org for the protection of cardholder data throughout the Term of this Agreement. Franchisee is responsible for the security of cardholder data in its possession or control and in the possession or control of any of its employees that Franchisee engages to process credit cards. At Franchisor's request, Franchisee agrees to provide appropriate documentation to Franchisor to demonstrate compliance by Franchisee and all its employees with the Payment Card Industry Data Security Standard ("PCI DSS") requirements. In the event of a breach or intrusion of or otherwise unauthorized access to cardholder data, Franchisee must immediately notify Franchisor in the manner required in the PCI DSS requirements and provide an approved third-party full access to conduct a thorough security review following a security intrusion. In the event of termination or expiration of this Agreement, Franchisee and its respective successors and permitted assigns shall ensure compliance with PCI DSS requirements even after expiration of this Agreement.

8.6 **Operational Efforts**. Franchisee may designate a manager to assist in the direct, day-to-day, supervision of the operations of the Studio. The Studio Manager must complete the initial training requirements and all additional training reasonably required by Franchisor. Franchisee agrees to keep Franchisor advised, in writing, of any manager involved in the operation of the Studio and their contact information. Franchisee agrees to keep the Studio open for the hours stated in the Manual and as deemed appropriate by Franchisor.

8.7 **Good Standing**. Franchisee will be considered in "Good Standing" if Franchisee is not in default of any obligation to Franchisor or any of Franchisor's affiliates, whether arising under this Agreement or any other agreement between Franchisee and Franchisor (or any of Franchisor's affiliates), the Manual or other System requirements.

8.8 **Performance Standards**. Franchisee and Franchisor have a shared interest in the Studio performing at or above the System Standards and meeting a minimum sales quota ("Minimum Sales Quota"). Franchisor would not have entered into this franchise relationship if Franchisor had anticipated that Franchisee would not meet these Performance Standards.

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

B. Minimum Membership and Sales Quota. Unless waived by Franchisor due to unique market conditions or the Studio's size, Franchisee must meet a certain "Minimum Membership and Sales Quota." Commencing on the first anniversary of the opening of the Studio and continuing throughout the term of this Agreement, if Franchisee fails to have a minimum of 250 members at the Studio and achieve $25,000 in Gross Sales each month, Franchisor may institute a corrective training program and/or require Franchisee to perform additional local marketing. If Franchisee fails to meet the Minimum Membership and Sales Quota for thirty-six (36) consecutive months at any time during the term of this Agreement, Franchisor may institute a mandatory corrective training program or terminate this Agreement at its sole discretion.

8.9 **Media Inquiries and Crisis Situations**. Franchisee shall immediately notify Franchisor upon the occurrence of any situation that may have a material impact on Franchisee, Franchisor, the Studio, or which could have a deleterious effect on the "Red Light Method" brand, Marks, or System. Franchisee shall also notify Franchisor immediately when Franchisee receives any media inquiries concerning the Studio or its location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, and Franchisee shall direct all media inquiries to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium about the System, except as directed by Franchisor. Franchisee shall follow all of Franchisor's policies, procedures, and instructions in every such situation, including, without limitation, managing public relations and communications, as directed by the Franchisor or as specified in the Manuals, whether or not Franchisee has retained outside counsel or a public relations firm to assist with such matters. Franchisor acknowledges that in certain cases Franchisee may be approached by media during, for example, an incident involving a fire or other disasters, and such impromptu comments are not intended to be prevented by this Section. Franchisee agrees that it will behave in a professional and courteous manner in any such impromptu interviews and will not discuss the System, but only the incident. Franchisee shall notify Franchisor at the first possible opportunity following the interview. Franchisee may not disseminate any press release unless it has been reviewed and approved in advance in writing by Franchisor.

9. ADVERTISING AND MARKETING

9.1 **Marketing Fund**.

A. Franchisor will establish and administer an advertising**,** publicity and marketing fund (the "Marketing Fund") to promote Red Light Method Studios and the brand. Franchisee will be required to make a contribution ("Marketing Fund Contribution") of two percent (2%) of its annual Gross Sales (as defined in Section 5.4) to the Marketing Fund. Such Marketing Fund Contribution will be payable to Franchisor monthly, beginning the day Franchisee starts receiving payments for services and products in connection with the Studio, which may be before the Studio first opens for business. Upon thirty (30) days' notice to Franchisee, the Marketing Fund Contribution may be increased or decreased, at Franchisor's sole discretion, but shall not exceed three percent (3%) of Franchisee's Gross Sales.

B. Franchisor has sole discretion over all matters relating to the Marketing Fund, and all related matters (consistent with its purposes and the provisions of this Agreement). The Marketing Fund may be used for (among other things) product development; signage; creation, production and distribution of marketing, advertising, public relations and other materials in any medium, including the Internet; administration expenses; legal fees incurred by or spent defending the Marketing Fund, brand/image campaigns; media; national, regional and other marketing programs; activities to promote current and/or future Red Light Method Studios and the brand; agency and consulting services; research, any expenses approved by Franchisor and associated with franchisee advisory groups (if any); and all or portions of the salaries, benefits or expenses of people Franchisor employs who work on Marketing Fund matters (except that such salaries, benefits or expenses will be charged pro rata based on the time they spend on Marketing Fund matters.) Among other things, Marketing Fund Contributions may be used for website development/operation and to pay Internet, Intranet, URL, 800 or similar number, and other charges, fees and/or expenses. A brief statement regarding the availability of Red Light Method franchises may be included in advertising and other items produced using the Marketing Fund.

C. Franchisor and/or any affiliate of Franchisor can provide goods, services, materials, etc. (including administrative services and/or "in-house advertising agency" services) and be compensated and/or reimbursed for the same by the Marketing Fund, provided that any such compensation must be reasonable in amount. Franchisor can arrange for goods, services, materials, etc. (including administrative services) to be provided by independent persons/companies and all related costs, fees, etc. will be paid by the Marketing Fund. Franchisor shall have no obligation in administering the Marketing Fund to make expenditures for Franchisee that are equivalent or proportionate to any Marketing Fund Contributions by Franchisee, or to ensure that any particular franchisee or any particular Red Light Method Studio benefits directly or pro rata from advertising or promotion conducted under the Marketing Fund.

D. The Marketing Fund will be accounted for separately and may be used to pay all administrative and other costs of the Marketing Fund related to its activities and purposes and/or as authorized by the relevant Franchise Agreements. All taxes of any kind incurred in connection with or related to the Marketing Fund, its activities, contributions to the Marketing Fund and/or any other Fund aspect, whether imposed on Franchisor, the Marketing Fund or any other related party, will be the sole responsibility of the Marketing Fund. Franchisor will prepare unaudited financial statements for the Marketing Fund, annually, which will be furnished to Franchisee upon written request. Funds in the Marketing Fund must be expended, prior to termination of the Marketing Fund, only for the purposes authorized by the relevant Franchise Agreement(s). No profit, gain or other benefit will directly accrue to Franchisor from the Marketing Fund. All interest earned on monies contributed to, or held in, the Marketing Fund will be remitted to the Marketing Fund and will be subject to the restrictions of the relevant Franchise Agreement(s).

E. Subject to the express requirements of this Agreement that contributions made by Franchisee will only be spent as authorized herein, Franchisee agrees that Franchisor may deny access to, and the benefits of, any and all programs and/or materials created by the Marketing Fund to any Red Light Method Franchisee who is not in Good Standing.

9.2 **Local Marketing Activities.**

A. Franchisee is responsible for local marketing activities to attract customers to the Studio. Franchisee agrees to spend no less than $1,000, each month, on local marketing, advertising, and promotion of the Studio. When/if Franchisee reaches Gross Sales of $60,000 per month, Franchisee will not be required to continue spending the minimum amount each month on marketing and advertising expenses. However, if Franchisee's Gross Sales drop below $60,000 per month, then Franchisee will be required to resume spending the minimum monthly amount on marketing and advertising expenses.

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

C. Franchisor must approve any form of co-branding, or advertising with other brands, products or services, in writing, in advance.

9.3 **Social Media Activities.** As used in this Agreement, the term "Social Media" is defined as a network of services, including, but not limited to, blogs, microblogs, and social networking sites (such as Facebook, LinkedIn, Instagram, X, formerly Twitter, and TikTok), video-sharing and photo-sharing sites (such as YouTube and Flickr), review sites (such as Yelp and Google Review), marketplace sites (such as eBay and Craigslist), Wikis, chat rooms and virtual worlds, that allows participants to communicate online and form communities around shared interests and experiences. While it can be a very effective tool for building brand awareness, it can also be devastating to a brand if used improperly. Therefore, Franchisee must strictly follow the Social Media guidelines, code of conduct, and etiquette as set forth in the Manual. Any use of Social Media by Franchisee pertaining to the Studio must be in good taste and not linked to controversial, unethical, immoral, illegal or inappropriate content. Franchisor reserves the right to "occupy" any Social Media websites/pages and be the sole provider of information regarding the Studio on such websites/pages (e.g., a system-wide Facebook page). Franchisee agrees to provide Franchisor access to any and all internet/online business listings and accounts pertaining to the Studio, including, but not limited, Yelp, Google Review, and Facebook. At Franchisor's request, Franchisee will promptly modify or remove any online communication pertaining to the Studio that does not comply with this Agreement or the Manual.

9.4 **Franchisee Advertising Council**. Franchisor reserves the right, if necessary and in Franchisor's sole judgment, to establish a Franchisee Advertising Council. The Franchisee Advertising Council will be composed of an elected body of Red Light Method franchisees for the purpose of providing the Franchisor with input on advertising and marketing issues. The Franchisee Advertising Council will operate under its own by-laws and will be purely advisory in nature and will have no operational or decision-making authority.

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

10.1 **Records and Reports.** Franchisee shall maintain and preserve for four (4) years or such period as may be required by law (whichever is greater) from the date of their preparation such financial information relating to the Studio as Franchisor may periodically require, including without limitation, Franchisee's sales and use tax returns, register tapes and reports, sales reports, purchase records, and full, complete and accurate books, records and accounts prepared in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor. Franchisee agrees that its financial records shall be accurate and up to date at all times. Franchisee agrees to promptly furnish any and all financial information, including tax records and returns, relating to the Studio and of each of the principal owners to Franchisor on request. Franchisee shall use accounting software designated by Franchisor (currently, "Quick Books"), and maintain its books, including expense line items, in the format designated by Franchisor. Franchisee must provide Franchisor with online access to Franchisee's books by, among other things, providing Franchisor with Franchisee's password. Franchisee shall immediately report to Franchisor any events or developments that may have a material adverse impact on the operation of the Studio or Franchisee's performance under this Agreement.

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

10.3 **Computer System, Equipment and Software.**

A. Franchisee must acquire a computer for use in the operation of the Studio. Franchisee shall install and use the electronic data processing and communications hardware and software, including voicemail, business management systems, and a point-of-sale ("POS") reporting system, as Franchisor may designate (collectively, the "Computer System"). Franchisee agrees to maintain broadband connection to the required Computer System and to any other specified points of connection according to Franchisor's standards and specifications. Franchisee must upgrade and maintain the computer hardware and software and the POS system in the Studio, as required by Franchisor from time to time, and pay any fees associated with such upgrades. Franchisor reserves the right, at its sole discretion, to apply such upgrades or changes automatically and without notice in the event that Franchisee fails to promptly take action to operate the Studio to required standards.

B. Franchisee agrees to record all of its receipts, expenses, invoices, customer/member lists, red light therapy sessions and Power Plate and Pilates classes, and other business information promptly in the Computer System and use the software and POS system that Franchisor specifies or otherwise approves. Franchisor reserves the right to change the Computer System, and the accounting, business operations, customer service and other software at any time. Franchisee is solely responsible for obtaining its own employee-scheduling software.

C. Data, including names, addresses, contact information, and credit card or payment information of customers of the Studio will be captured on the required software, and will become the joint property of Franchisee and Franchisor during the Term of this Agreement. Franchisee is solely responsible for ensuring that the capture of customer data is done in compliance with any and all local, state, and federal privacy laws. Franchisor will have independent access to information Franchisee generates and stores in the Computer System, including full and unrestricted administrative access to the business, tax, and accounting information. Franchisee will provide Franchisor with any passwords necessary to access the business information for the Studio that is stored on the required software and online. Franchisor may use such information to communicate directly to the customers of the Studio, and to provide updates, information, newsletters, and special offers to the customers. Upon expiration or termination of this Agreement, Franchisee shall have no further access or rights to the customer information and Franchisor shall be the sole owner of such information.

D. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Section 10.3 was periodically revised by Franchisor for that purpose.

E. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and cyber-attacks by hackers and other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks.

F. Franchisee agrees to take all reasonable and prudent steps necessary to ensure that its and its customers' data is protected at all times from unauthorized access or use by a third party or misuse, damage or destruction by any person.

G. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies

Franchisor periodically may establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Studio.

10.4 **Insurance.**

A. Prior to the opening for business of the Studio and throughout the entire term of this Agreement, Franchisee will keep in force at Franchisee's own expense and by advance payment of the premium, the following insurance coverages:

(1) Workers' Compensation and Employer's Liability Insurance as well as such other insurance, with statutory limits, as required by law in the jurisdiction where the Studio is located. Employers Liability or "Stop Gap" insurance, with limits of not less than $1,000,000 each accident;

(2) Commercial General Liability Insurance, Occurrence form, including a per location or project aggregate, with the following coverages: owners and contractors protective liability, broad form property damage, contractual liability, severability of interest clause; personal and advertising injury; and products/completed operations; medical payments and fire damage liability; insuring you and us against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the Studio including general aggregate coverage in the following limits:

Required Coverage	Minimum Limits of Coverage
General Aggregate	$2,000,000
Products/Completed Operations Aggregate	$2,000,000
Personal and Advertising Injury	$1,000,000
Each Occurrence	$1,000,000
Damage to Rented Premises (each occurrence)	$100,000
Medical Expense (any one person)	$2,500

(3) "ALL RISK" or special property coverage of not less than current replacement cost of the Studio's glass windows, equipment, fixtures and leasehold improvements sufficient in the amount to restore the Studio to full operations; and

(4) Business interruption insurance with coverage for at least twelve (12) months for actual losses. (For purposes of this Agreement, "Gross Sales" shall include any proceeds received by Franchisee in connection with a "business interruption" insurance claim).

(5) Cyber Liability Insurance with a minimum coverage amount as set forth in the Manual and/or as otherwise determined by Franchisor and communicated to Franchisee.

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

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

D. Franchisee's obligation to obtain and maintain the forgoing insurance policy or policies in the amounts specified shall not be limited by reason of any insurance that may be maintained by Franchisor nor relieve Franchisee of liability under the indemnity provisions set forth in this Agreement. Franchisee's insurance procurement obligations under this Section 10.4 are separate and independent of Franchisee's indemnity obligations.

E. Additional Insured Endorsement. All insurance shall name Franchisor as an additional insured, waive any subrogation rights or other rights to assert a claim back against Franchisor and shall contain a clause requiring notice to Franchisor thirty (30) days in advance of any cancellation or material change to any such policy. The "Additional Insured Endorsement" must be approved in writing by Franchisor and name Franchisor and its respective officers, directors, partners, members, affiliates, subsidiaries and employees as additional insureds. Additional insured status shall include, without limitation, coverage for ongoing and completed operations. The additional insured endorsement form shall be ISO CG 20 26 or any other form approved in writing by Franchisor that provides comparable coverage. Additional insured coverage shall not be limited to vicarious liability and shall extend to (and there shall be no endorsement limiting coverage for) the negligent acts, errors or omissions of Franchisor or other additional insureds. Franchisee shall maintain such additional insured status for Franchisor on its general liability policies continuously during the term of this Agreement.

F. The insurance policies described above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisee shall provide Franchisor with copies of certificates of coverage, insurance policy endorsements, and other evidence of compliance with these requirements, at least annually, or as Franchisor periodically requires. Franchisee's failure to obtain or the lapse of any of the required insurance coverage shall be grounds for the immediate termination of this Agreement pursuant to Section 15.2, and Franchisee agrees that any losses, claims or causes of action arising after the lapse of or termination of insurance coverage will be the sole responsibility of Franchisee and that Franchisee will hold Franchisor harmless from all such losses, claims and/or causes of action. In addition, but not to the exclusion of the foregoing remedy, if Franchisee fails to procure or maintain the required insurance, Franchisor shall have the right and authority, but not the obligation, to procure immediately the insurance and Franchisee shall reimburse Franchisor for the cost of the insurance plus reasonable expenses immediately upon written notice. Franchisee is required to submit to Franchisor a copy of a Certificate of Insurance, with Franchisor as an additional insured, showing compliance with the foregoing requirements at least thirty (30) days before Franchisee commences operation of the Studio. Franchisor shall have a security interest in all insurance proceeds to the extent Franchisee has any outstanding obligations to Franchisor.

10.5 **Gift Card Program.** Franchisee agrees to participate in any gift card program instituted by Franchisor for all Red Light Method franchisees to sell, issue, or redeem gift cards (the "Gift Card Program"). Franchisee shall sell or otherwise issue Red Light Method Studio gift cards to its customers and honor all Red Light Method Studio gift cards presented at the Studio as payment for products and services, regardless of whether the gift card was sold or issued by Franchisee or another Red Light Method Studio. When Franchisee sells or issues a gift card, Franchisee will keep the amount paid in its account until the gift card is redeemed. Franchisor will reconcile Franchisee's account with Franchisor by: (1) crediting Franchisee for the full value of all gift card transactions redeemed by Franchisee monthly from other Red Light Method Studios that issued the gift cards; and/or (2) debiting Franchisee for the full value of each gift card sold at the Studio, but redeemed at a different location. Franchisee will pay Royalty Fees on sales paid by redeemed gift cards in the Studio. The Red Light Method Studio gift cards have no expiration date, therefore Franchisee will remain liable for each gift card sold at the Studio upon it is redeemed for an undetermined amount of time. If this Agreement is terminated and not renewed, Franchisee must comply with all federal, state and local laws and regulations pertaining to any outstanding gift cards sold at the Studio that were not redeemed before the termination of this Agreement. Such compliance may include, but is not limited to, returning the funds collected for each outstanding gift card to the applicable customer or state.

11. RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

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

11.2 **Indemnification**. Franchisee shall indemnify, defend and hold harmless Franchisor, and its current or former affiliates, and their respective officers, directors and employees, accountants, and lawyers against any and all suits, claims, liabilities, costs and expenses, including, without limitation, attorneys' fees in any way relating to, arising out of or in conjunction with Franchisee's conduct of the business licensed hereunder, or Franchisee's or Franchisee's employees' actions or inaction. Franchisor reserves the right to appoint its own attorney. Franchisee waives and releases all claims by Franchisor against Franchisor for damages to property or injuries to persons arising out of the operation of the Studio.

12. CONFIDENTIAL INFORMATION

12.1 **Franchisor's Confidential Information**.

A. Franchisee acknowledges and agrees that all information relating to the System and to the development and operation of the Studio, including, without limitation, the Manual, the red light therapy, Power Plate and Pilates methods and techniques, Franchisor's training program, customer and supplier lists, or other information or know-how distinctive to a Red Light Method Franchise (all of the preceding information is referred to herein as the "Confidential Information") are considered to be proprietary and trade secrets of Franchisor. Franchisee agrees that all Confidential Information is to be held in the strictest of confidence during and after the term of this Agreement and is not to be divulged to anyone directly or indirectly at any time, except to Franchisee's Studio employees, including independent contractors, with a need to know the information in order to operate the Studio. Upon Franchisor's request, Franchisee shall require the Studio's employees and independent contractors to execute a nondisclosure and non-competition agreement in a form satisfactory to Franchisor. Franchisee shall not acquire any interest in the Confidential Information other than the right to utilize it in the Studio and agrees not to copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, nor otherwise make them available to any unauthorized person, nor use them in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee shall adopt and implement all reasonable procedures to prevent unauthorized use, duplication or disclosure of Franchisor's Confidential Information. If Franchisee or Franchisee's employees or independent contractors learn about an unauthorized use of any trade secret or confidential materials, Franchisee must promptly notify Franchisor. Franchisor is not obligated to take any action, but will respond to the information as it deems appropriate. If Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, the doctrine of "inevitable disclosure" will apply, and it will be presumed that Franchisee is in violation of this covenant; and in such case, it shall be Franchisee's burden to prove that Franchisee is not in violation of this covenant.

B. Franchisee agrees that any new concept, process or improvement in the operation or promotion of the Studio developed by or on behalf of Franchisee that relates to or enhances the Red Light Method Operating System, or any aspect of Franchisor's business, shall be the sole property of Franchisor, and Franchisee shall promptly notify Franchisor and shall provide Franchisor with all necessary information and execute all necessary documents with respect thereto, without compensation. Franchisee acknowledges that Franchisor may utilize or disclose such information to other Franchisees.

12.2 **No Other Interests.** Franchisee further acknowledges that Franchisor would be unable to protect its Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Red Light Method Franchisees if its franchisees were permitted to hold an interest in other red light therapy and/or fitness businesses and otherwise to compete with Franchisor. Therefore, during the term of this Agreement, Franchisee must comply with the competitive covenant provisions of Article 13 herein.

12.3 **Injunctive Relief.** Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising out of this Agreement, shall not constitute a defense to the enforcement of this Article 12. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Article 12 will cause Franchisor irreparable injury for which no adequate remedy at law is available, and Franchisee accordingly agrees that Franchisor shall be entitled to injunctive relief as specified in Section 16.2 herein to enforce the terms of this Article 12. Franchisee shall pay all costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Franchisor in connection with the enforcement of this Article 12. The foregoing remedies shall be in addition to any other remedies Franchisor may have under this Agreement or applicable law.

13. COVENANTS NOT TO COMPETE

13.1 **Non-Competition Covenants of Franchisee.** To prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the System, the Marks, and other Confidential Information, Franchisee, including all officers, directors, holders of beneficial interests of Franchisee, members, general partners, any limited partners and their respective spouses and immediate family members, covenant and agree, pursuant to this Agreement, that Franchisee, shall not without Franchisor's prior written consent, directly or indirectly, as an individual, owner, partner, stockholder, member, employer, employee, consultant, or in any other capacity, participate in or share the earnings or profits of any red light therapy or fitness business, including, but not limited to spas, gyms, and studios, any red light therapy or fitness marketing or consulting business, any business offering products and services of a similar nature to those of the Red Light Method Studio, or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such aforementioned businesses: (i) during the term of this Agreement and any extensions or renewals, at any location other than the Studio, (ii) for two (2) years after the expiration, termination or non-renewal (by Franchisor or by Franchisee for any reason) of this Agreement anywhere within a five (5) mile radius of any Red Light Method brand Studio whether franchised or owned by Franchisor or any of Franchisor's affiliates, and (iii) for two (2) years after Franchisee has assigned its interest in this Agreement anywhere within a five (5) mile radius of any Red Light Method brand Studio whether franchised or owned by Franchisor or any of Franchisor's affiliates.

13.2 **Franchisor's Right to Offer or Sell a Franchise to Employee of Franchisee.** Franchisee acknowledges that Franchisor has the right to offer to sell or to sell a Red Light Method Studio franchise to any employee of Franchisee.

13.3 **Enforcement of Covenants.**

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

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

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

14. TRANSFER OF INTEREST

14.1 **Franchisor's Approval Required.** All rights and interests of Franchisee arising from this Agreement are personal to Franchisee and except as otherwise provided in this Article 14, Franchisee shall not, without Franchisor's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, pledge or encumber its interest in this Agreement, in the license granted hereby, in the assets of the Studio, any of its rights hereunder, or in the lease for the premises at which the Studio is located, and any purported sale, assignment, transfer, pledge or encumbrances shall be null and void. If Franchisee is a corporation, limited liability, partnership, or an individual or group of individuals, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Section 17.3 of this Agreement must promptly be reported to Franchisor and is a "transfer" within the meaning of this Article 14.

14.2 **Right of First Refusal**.

A. No transfer by Franchisee shall be permitted nor be binding on Franchisor unless a written offer has first been made to Franchisor of the proposed transfer. Franchisee shall provide Franchisor the following: (i) a purchase agreement or letter of intent signed by the proposed transferee and by Franchisee specifying all the terms and conditions of the offer, (ii) the name, address and telephone number of the proposed assignee, (iii) a copy of the most recent income statement and the income statement for the Studio's last fiscal year end, (iv) financial statements of the proposed transferee, and (v) any other information or documents as may be reasonably be requested by Franchisor. Franchisor shall have thirty (30) days from receipt of all of the above information to accept the offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee.

B. In the event that Franchisor does not exercise its right of first refusal and the offer changes in any way, or another offer is made to Franchisee, this new offer must also be presented to Franchisor before Franchisee may consummate the new offer. Franchisor has thirty (30) days to accept the new offer, by written notice to Franchisee, upon the same terms and conditions offered by the proposed transferee. Any offer that Franchisor does not match must be transacted within ninety (90) days from the date that Franchisor informs Franchisee of its intent not to exercise its right of first refusal. If the transaction does not take place within ninety (90) days, Franchisor has the right to re-evaluate and match the offer if it elects to do so by notice to Franchisee.

14.3 **Conditions for Approval of Transfer.** Franchisor shall not unreasonably withhold its approval of a proposed transfer, provided that the prospective transferee, in Franchisor's reasonable judgment, is of good moral character and reputation, has no conflicting interests, has a good credit rating and sufficient and competent business experience, aptitude and financial resources acceptable to Franchisor's then-current standards for franchisees; and that the following conditions are met: (1) Franchisee pays Franchisor a "Transfer Fee" in the amount of $17,777; (2) Franchisee signs a general release of all claims in Franchisor's standard form; (3) the Studio and equipment must be upgraded, refurbished or repaired if Franchisor, in its sole discretion, decides it's necessary; and (4) the transferee attends and successfully completes the Red Light Method training program at its own expense. The Transfer Fee, less any administrative costs incurred by Franchisor to review the proposed transfer and evaluate the prospective transferee, is refundable if the proposed transfer is not approved by Franchisor.

14.4 **Permitted Transfers to a Corporation or LLC or Affiliate Company**. If Franchisee is an individual or partnership, and desires to assign and transfer its rights, assets and obligations under this Agreement to a corporation or limited liability company that is wholly-owned by Franchisee and formed for the convenience of ownership, it may do so without approval from Franchisor, and without payment of a transfer fee, so long as the terms and conditions of the this Agreement remain unchanged, and the Franchisee shall own and control all of the equity and voting power of all issued and outstanding stock of the transferee corporation or all of the equity and voting power of the limited liability company and, if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or limited liability company as he or she had in Franchisee prior to the transfer.

14.5 **Death or Disability of Franchisee**. In the event of the death or disability of Franchisee, if an individual, or of a stockholder of a corporate Franchisee, or of a partner of a Franchisee which is a partnership, or a member of a Franchisee which is a limited liability company, the transfer of Franchisee's or the deceased stockholder's, partner's or member's interest in this Agreement to his or her heirs, trust, personal representative or conservators, as applicable, must occur within six (6) months of the death or disability, but, shall not be deemed a transfer by Franchisee (provided that the responsible supervisorial or managerial personnel or agents of Franchisee have been satisfactorily trained at Franchisor's Initial Training) nor obligate Franchisee to pay any transfer fee. If Franchisor determines (i) there is no imminent transfer to a qualified successor or (ii) there is no heir or other principal person capable of operating the Studio, Franchisor shall have the right, but not the obligation, to immediately appoint a manager and commence operating the Studio on behalf of Franchisee. Franchisee shall be obligated to, and shall pay to Franchisor all reasonable costs and expenses for such management assistance, including without limitation, the manager's salary, room and board, travel expenses and all other related expenses of the Franchisor appointed manager. Operation of the Studio during any such period shall be for and on behalf of Franchisee, provided that Franchisor shall only have a duty to utilize reasonable efforts and shall not be liable to Franchisee or its owners for any debts, loses or obligations incurred by the Studio, or to any creditor of Franchisee for any supplies, inventory, equipment, furniture, fixtures or services purchased by the Studio during any period in which it is managed by a Franchisor appointed manager. Franchisor may, in its sole discretion, extend the six (6) month period of time for completing a transfer contemplated by this Section.

14.6 **Relocation**. Except in cases when Franchisee is in default of its lease, if the Studio location is lost through condemnation, loss of lease, fire or other casualty, Franchisee may identify a new Authorized Location within the same Designated Market Area in which the Studio was located, subject to the consent of Franchisor. Franchisee must apply for Franchisor's consent to relocate at the new Studio location and execute a general release in favor of Franchisor, both in the form prescribed by Franchisor. Franchisor will consent to or reject Franchisee's relocation application in accordance with its then-current relocation and closure policy. If the Studio is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Studio is once again in operation, as determined by Franchisor. Any such relocation shall be at Franchisee's sole expense and Franchisor shall have the right to charge Franchisee a "Relocation Fee" (currently, $5,000) at the time Franchisee makes a relocation request.

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

15. DEFAULT AND TERMINATION OF AGREEMENT

15.1 **Termination of Franchise by Franchisee**. If Franchisee is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Franchisee, Franchisee may terminate this Agreement. Such termination will be effective thirty (30) days after delivery to Franchisor of notice that such breach has not been cured or remedied and Franchisee elects to terminate this Agreement, except that if such cure, by its nature, may take longer than thirty (30) days to cure, then Franchisee may not terminate this Agreement so long as Franchisor is making a good faith effort to cure or remedy the breach. A termination by Franchisee for any other reasons shall be deemed a termination by Franchisee without cause.

15.2 **Termination of Franchise by Franchisor**. Franchisor shall have the right to terminate this Agreement for "good cause" upon delivering notice of termination to Franchisee. For purposes of this Agreement, "good cause" shall include, without limitation: (i) a material breach of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, (ii) intentional, repeated or continuous breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates, and (iii) the breaches set forth below:

A. **Immediate Termination**. Franchisee shall be deemed to be in default and Franchisor may terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, and such termination shall be for good cause where the grounds for termination are:

(1) Franchisee has made any material misrepresentation or omission in applying for the franchise or in executing or performing under this Agreement or any other agreement between Franchisee and Franchisor or any of Franchisor's affiliates;

(2) Franchisee becomes insolvent by reason of Franchisee's inability to pay debts as they become due, or makes an assignment for the benefit of creditors or makes an admission of Franchisee's inability to pay obligations as they become due;

(3) Franchisee files a petition in bankruptcy, or an involuntary petition in bankruptcy is filed against Franchisee or a receiver is appointed for Franchisee's business, or a final judgment remains unsatisfied or of record for 30 days or longer; or if Franchisee is a corporation, limited liability company or partnership, Franchisee is dissolved;

(4) Franchisee voluntarily abandons or discontinues to actively operate the Studio for two (2) consecutive business days or more in any twelve (12) month period, and it is readily apparent that Franchisee has closed or abandoned the Studio and has discontinued operations;

(5) Franchisee or any of its principal officers, directors, partners or managing members is convicted of or pleads no contest to a felony or other crime or offense that adversely affect

the reputation of the System or the goodwill associated with the Marks;

(6) Franchisee makes an unauthorized direct or indirect transfer or attempted or purported transfer of this Agreement, or makes an unauthorized direct or indirect transfer or attempted or purported transfer of an ownership interest in the Franchise, or fails or refuses to transfer the Franchise or the interest in the Franchise of a deceased or disabled controlling owner thereof as required;

(7) Franchisee falsifies any financial reports or records required to be provided by Franchisee to Franchisor under this Agreement;

(8) Franchisee's disclosure, utilization, or duplication of any portion of the System, the Manual or other proprietary or Confidential Information relating to the Studio that is contrary to the provisions of this Agreement;

(9) Franchisee violates any health or safety law, ordinance or regulation or operates the Studio in a manner that presents a health or safety hazard to its customers or to the public;

(10) Franchisee fails to obtain lawful possession of an acceptable location and to open for business as a Red Light Method Studio within nine (9) months after this Agreement is accepted by Franchisor;

(11) Franchisee defaults under the lease agreement or otherwise loses the right to possess the premises at the location at which the Studio is located;

(12) Franchisee fails to comply with the covenants not to compete as required in Article 13 herein; or

(13) Franchisee, after curing a default pursuant to Section 15.2B herein, commits the same act of default again within any twelve (12) consecutive month period whether or not such default is cured after notice thereof is delivered to Franchisee, or if Franchisee received three (3) or more default notices from Franchisor within any twelve (12) consecutive monthly period whether or not such defaults were related to the same problem or were cured after notice thereof was delivered to Franchisee.

B. **Termination with Notice**. In addition to the provisions of Section 15.2A, if Franchisee shall be in default under the terms of this Agreement and the default shall not be cured or remedied (to Franchisor's satisfaction) within thirty (30) days after receipt of written notice from Franchisor (and 10 days prior notice in the event of a default described in Subsections (5), (6) and (7) below), in addition to all other remedies available to Franchisor at law or in equity, Franchisor may immediately terminate this Agreement. If any such default is not cured within the specified cure period, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the cure period. Franchisee shall be in default, and each of the following shall constitute good cause for termination under this Agreement:

(1) Failure, refusal or neglect by Franchisee to obtain Franchisor's prior written approval or consent any time such approval or consent is required by this Agreement;

(2) Franchisee's failure to comply with any provision of this Agreement that does not otherwise provide for immediate termination, or failure to comply with the Manual, or Franchisee's bad faith in carrying out the terms of this Agreement;

(3) Failure by Franchisee to maintain books and financial records for the Studio suitable for proper financial audit or failure by Franchisee to permit Franchisor to carry out its rights to conduct an inspection or audit as provided in this Agreement or failure by Franchisee to submit as required by this Agreement all reports, records and information of the Red Light Method Studio;

(4) Franchisee, or if Franchisee has elected not to directly supervise "on-premises" the day-to-day Studio operations, then Franchisee's supervisorial or managerial personnel, fails to complete, to Franchisor's satisfaction, the initial training program as provided in this Agreement;

(5) Franchisee fails to pay when due any amount owing to Franchisor or its affiliates under this Agreement or any other agreement, or is unable to obtain adequate financing to cover all costs of developing, opening and operating the Studio;

(6) Franchisee fails to pay when due any amounts owing to any person or entity in connection with the construction, leasing, financing, operation or supply of the Studio;

(7) Franchisee closes any bank account without completing all of the following after such closing: (i) immediately notifying Franchisor in writing, (ii) immediately establishing another bank account, and (iii) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by electronic funds transfer as Exhibit 2 to this Agreement permits;

(8) Franchisee fails to maintain or suffers cancellation of any insurance coverage required under this Agreement;

(9) Any transfer or attempted transfer by Franchisee or any partner, member or shareholder in Franchisee of any rights or obligations under this Agreement to any third party without the prior written consent of Franchisor;

(10) Franchisee offers in conjunction with the operation of the Studio products or services that have not been approved by Franchisor;

(11) Franchisee failures to abide by the pertinent marketing and advertising requirements and procedures and participate in marketing programs for the business as established by Franchisor; or

(12) Franchisee fails to comply with the Performance Standards as set forth in the provisions of this Agreement, as prescribed by Franchisor, or in the Manual, including, but not limited to, the System Standards for cleanliness, customer service, equipment maintenance, and any other System Standards which effect or enhance the customer experience at the Studio; and the Minimum Membership and Sales Quota.

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

15.4 **Obligations of Franchisee upon Termination, Expiration or Non-Renewal.** Immediately upon termination, expiration or non-renewal of this Agreement for any reason:

A. All rights, privileges and licenses granted by Franchisor to Franchisee shall immediately cease and be null and void and of no further force and effect, and all such rights, privileges and licenses shall immediately revert to Franchisor;

B. Franchisee shall cease to be an authorized Red Light Method franchise owner, and shall immediately, at its own expense, remove all signs, obliterate or remove all letterheads, labels or any other item or form of identification that would in any way link or associate Franchisee, its goods and/or services with Franchisor, and shall immediately cease to use, in any manner, the Marks, System and any other copyrighted information or materials or any confidential information Franchisee obtained as a result of the franchise granted to Franchisee;

C. Franchisee shall immediately terminate all advertising and promotional efforts and any other act that would in any way indicate that Franchisee is or was ever an authorized Red Light Method franchisee;

D. Franchisee shall cancel any assumed name of Franchisee or equivalent registration that contains any Proprietary Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination, expiration or non-renewal of this Agreement;

E. Franchisee agrees not to use any reproduction, counterfeit, copy, or colorable imitation of the Marks that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in and to the Marks, and further agrees not to use any trade dress or designation of origin or description or representation that falsely suggests or represents an association or connection with Franchisor;

F. Franchisee shall pay all sums owing to Franchisor. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor as a result of the default;

G. Franchisee shall comply with the covenants set forth in Articles 12 and 13 of this Agreement;

H. Franchisee shall, at Franchisor's option, assign to Franchisor any interest that Franchisee has in any lease for the premises of the Studio; and

I. Franchisor shall have the option**,** exercisable by giving written notice thereof within thirty (30) days from the date of such termination, expiration or non-renewal to purchase any and all equipment, furniture, fixtures, signs, sundries and supplies owned by Franchisee and used in the Studio, at the lesser of (i) Franchisee's cost less depreciation computed on a reasonable straight line basis (as determined in accordance with generally accepted accounting principles and consistent with industry standards and customs) or (ii) fair market value of such assets, less (in either case) any outstanding liabilities of the Studio. In addition, Franchisor shall have the option to assume Franchisee's lease for the lease location of the Studio, or if an assignment is prohibited, a sublease for the full remaining term on the same terms and conditions as Franchisee's lease. No value will be attributed to the value of the Marks or the system or to the assignment of the lease (or sublease) for the premises or the assignment of any other assets used in conjunction with the Studio, and Franchisor will not be required to pay any separate consideration for any such assignment or sublease.

If the parties cannot agree on fair market value within thirty (30) days of Franchisor's notice of intent to purchase, fair market value shall be determined by an experienced, professional and impartial third-party appraiser without regard to goodwill or going concern value, designated by Franchisor and acceptable to Franchisee, whose determination shall be final and binding on both parties. The cost of such appraisal shall be borne equally by Franchisor and Franchisee. If the parties cannot agree upon an appraiser one shall be appointed by the American Arbitration Association, upon petition of either party.

Franchisor shall have the right to withhold from the purchase price funds sufficient to pay all outstanding debts and liabilities of Franchisee and the Studio and to pay such debts and liabilities from such funds.

J. Termination, expiration or non-renewal of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which Franchisor may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination.

15.5 **Franchisor's Rights and Remedies in Addition to Termination.**

A. If Franchisee shall be in default in the performance of any of its obligations or breach any term or condition of this Agreement, in addition to Franchisor's right to terminate this Agreement, and without limiting any other rights or remedies to which Franchisor may be entitled at law or in equity, Franchisor may, at its election, immediately or at any time thereafter, and without notice to Franchisee cure such default for the account of and on behalf of Franchisee including, without limitation, entering upon and taking possession of the Studio and to taking in the name of Franchisee, all other actions necessary to effect the provisions of this Agreement and any such entry or other action shall not be deemed a trespass or other illegal act, and Franchisor shall not be liable in any manner to Franchisee for so doing, and Franchisee shall pay the entire cost thereof to Franchisor on demand, including reasonable compensation to Franchisor for the management of the Studio.

B. At Franchisor's election, Franchisor may, as an alternative to exercising its rights under Section 15.5A above, in the event of a premature termination of this Agreement, require Franchisee to pay Franchisor liquidated damages in an amount equal to the sum of the Royalty Fees paid to Franchisor for the twenty-four (24) months prior to the termination of this Agreement. Franchisee's payment to Franchisor would not be a penalty for breaching this Franchise Agreement, but rather a reasonable estimate of the losses Franchisor would incur in the event of the closure of Franchisee's Studio. Should Franchisor elect to enforce its right to liquidated damages under this Section, Franchisee's obligation to pay such damages would be in addition to Franchisee's obligations to (i) pay all amounts still owed to Franchisor, and (ii) adhere to Franchisee's other post-termination obligations. Franchisor's right to payment of liquidated damages would be in addition to all other post-termination remedies available to Franchisor under the law.

C. If this Agreement is terminated by Franchisor with cause or Franchisee unilaterally attempts to terminate this Agreement without cause, then Franchisee may be liable for all unpaid future Royalty Fees, Marketing Fund Contributions, and lost profits, as well as any other direct, actual or consequential damages for the remainder of the Term of this Agreement.

16. RESOLUTION OF DISPUTES

16.1 **Mediation, Mandatory Binding Arbitration, and Waiver of Court Trial.** Franchisee and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Franchisee and franchisor have agreed that the provisions of this Section 16 support these mutual objectives and, therefore, agree as follows:

A. **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, between or involving Franchisee and any of its affiliates, on the one hand, and Franchisor and any of its affiliates, on the other hand, arising out of, related to, or referencing this Agreement or its breach in any way, including, without limitation, any claim arising in contract or tort arising out of the relationship created by this Agreement, for equitable relief, or asserting that this Agreement is invalid, illegal, or void, ("Claim") shall be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section 16.1 D.

(i) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Franchisee or Franchisor gives written notice to the other proposing such a meeting.

(ii) Second, if the Claim is not resolved from the face-to-face meeting, it shall be submitted to non-binding mediation in the county where Franchisor's then-current headquarters is located. Franchisee and Franchisor will split the costs, and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Franchisee and Franchisor do not want to participate in mediation, then they shall proceed to arbitration as provided below.

(iii) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration.

B. **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements. However, the parties will be permitted to make public disclosures and filings as are required by law and will be permitted to speak to individuals reasonably necessary to prepare for mediation or arbitration, including but not limited to percipient witnesses and expert witnesses.

C. **Fees and Costs**. In the event of any arbitration or litigation (also including appeals, petitions for confirmation, modification, or vacation of an award) arising out of or relating to a Claim, this Agreement, the breach of this Agreement, or the relationship of the parties to this Agreement, the prevailing party will be reimbursed by the other party for all costs and expenses incurred in connection with such arbitration or litigation, including, without limitation, reasonable attorneys' fees.

D. **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes seeking (a) injunctive relief as to the validity of the Marks and/or any intellectual property licensed to Franchisee and use of the Marks or other intellectual property licensed to the Franchisee, (b) injunctive relief for health and safety issues and violations, or (c) injunctive relief as to the validity and enforcement of the covenants not to compete, may be submitted to Court, provided that only the portion of any such claim or dispute requesting injunctive relief shall be subject to Court action, and any portion of such claim or dispute seeking monetary damages or other relief will be subject to the Claim Process outlined above in paragraph 16.1.A.

E. **Intentions of Franchisee and Franchisor**. Franchisee and Franchisor mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, federal or other law, and/or any statements in Franchisor's Franchise Disclosure Document required by a state or the Federal government as a condition to registration or for some other purpose:

(i) all issues relating to the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

(ii) all provisions of this Agreement shall be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, and choice of laws;

(iii) Franchisee and Franchisor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

(iv) **Franchisee and Franchisor each knowingly waive all rights to a court or jury trial** (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement;

(v) in the Claim Process, Franchisee and Franchisor agree that each may bring claims against the other only in the Franchisee's or Franchisor's individual capacity and not as a plaintiff or class member in any class or representative action or any multiple plaintiff or consolidated proceeding. Unless both Franchisee and Franchisor agree, no arbitrator may consolidate more than one person's claims or otherwise preside over any form of representative, class, multiple plaintiff or consolidated proceeding; and

(vi) the terms of this Agreement (including but not limited to this Section 16) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Franchisee.

16.2 **Venue.** Without in any way limiting or otherwise affecting the obligations of Franchisee and Franchisor under Section 16.1 above, Franchisee and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

16.3 **Class Action Waiver.** To the extent any party brings any claim for relief, cause of action, or proceeding in court, Franchisee and Franchisor also agree that each may only bring such claims for relief, causes of action, or proceedings against the other in the Franchisee's or Franchisor's individual capacity and not as a plaintiff or class member in any class or representative action or any multiple plaintiff or consolidated proceeding. Unless both Franchisee and Franchisor agree, no court may consolidate more than one person's claims for relief, causes of action, or proceeding, or otherwise preside over any form of representative, class, multiple plaintiff, or consolidated proceeding.

16.4 **Choice of Laws.** Franchisee and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Franchisee and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the Lanham Act (15 U.S.C. §1051 et seq.) and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Franchisee and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of Missouri ; except (i) that the statutes or regulations regarding franchises (including, without limitation, investment, registration, disclosure, termination, and/or relationship laws) of the state where the Franchisee's Studio is located shall apply to this Agreement and the parties' relationship instead of Missouri statutes or regulations regarding franchises; and (ii) the law of Missouri will not govern the covenants not to compete in Article 13 of this Agreement. Instead, the covenants not to compete in Article 13 will be governed by the law of the state where the Franchisee's Studio is located. Franchisee and Franchisor agree that this provision shall be enforced without regard to the laws of Missouri relating to conflicts of laws or choice of law.

16.5 **Binding Effect, Modification.** This Agreement is binding on the parties hereto and their respective executors, administrators, heirs, assigns, and successors in interest, and will not be modified or supplemented except by means of a written agreement signed by both Franchisee and Franchisor's President or one of Franchisor's Vice Presidents. However, Franchisee and Franchisor understand and agree that changes to the Manual made in accordance with this Agreement are binding and do not require any acceptance by Franchisee, written or otherwise, to be effective and enforceable. No other officer, field representative, salesperson or other person has the right or authority modify this Agreement, or to make any representations or agreements on Franchisor's behalf, and any such modifications, representations and/or agreements will not be binding.

16.6 **Non-Retention of Funds.** Neither party has the right to offset or withhold payments of any kind owed or to be owed to the other against amounts purportedly due as a result of any dispute of any nature or otherwise, except as authorized by an arbitration award, or as expressly provided otherwise in this Agreement.

17. MISCELLANEOUS PROVISIONS

17.1 **Severability of Provisions.** Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

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

17.3 **Designation of Responsible Parties**. Franchisee represents and warrants to Franchisor that the list below states: (i) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each and (ii) the name and mailing address of the individual(s) who will be the principal franchisee-operator(s) (the "Designated Operator(s)") of the business franchised hereunder. The Designated Operator(s) (there may be up to two such individuals but only one address to which Franchisor communicates to regarding the franchise) named has the authority to act for Franchisee in all matters relating to the Red Light Method Franchise, including voting responsibilities. Only those individuals who are party to this Agreement and have an ownership interest in the franchise entity may be listed as a Designated Operator(s). Franchisee shall promptly notify Franchisor of any change in any such information. Any change in the Designated Operator(s) or in shareholder information is subject to Article 14 and the training requirements of this Agreement:

Franchisee is a ☐ ____________________, organized under the laws of __________________________, or ☐ Franchisee is an individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

Shareholder, Partner, Member or Individual Name and Address	**Percentage of Ownership Interest in Franchisee**
_____________________________ _____________________________ _____________________________	____________
_____________________________ _____________________________ _____________________________	____________

Designated Operator(s): _____________________________

17.4 **Franchisor's Discretion**. Except as otherwise specifically referenced herein, all acts, decisions, determinations, specifications, prescriptions, authorizations, approvals, consents and similar acts by Franchisor may be taken or exercised in the sole and absolute discretion of Franchisor, regardless of the impact upon Franchisee. Franchisee acknowledges and agrees that when Franchisor exercises its discretion or judgment, its decisions may be for the benefit of Franchisor or the Red Light Method franchise network and may not be in the best interest of Franchisee as an individual franchise owner.

17.5 **Notices**.

A. All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be given by any of the following methods: (1) personally delivered; (2) mailed by certified or registered mail, return receipt requested, postage paid; (3) by reliable overnight delivery service; or (4) by electronic transmission, including email and facsimile. "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

The addresses for the parties are as follows:

If to Franchisor: Red Light Method Franchising, LLC
1400 SE Walton Blvd, Suite 34
Bentonville, Arkansas 72712
Attn: Allison Beardsley
Email: allison@redlightmethod.com

If to Franchisee: ____________________________
____
____
Email: ______________________

B. The addresses, herein, given for notices may be changed at any time by either party by written notice given to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

17.8 **No Recourse Against Nonparty Affiliates.** All claims, obligations, liabilities, or causes of action (whether in contract or in tort, in law or in equity, or granted by statute) that may be based upon, in respect of, arise under, out or by reason of, be connected with, or relate in any manner to this Agreement, or the negotiation, execution, or performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to this Agreement, but not including separate undertakings such as guarantees of performance, personal guaranties, or corporate guarantees), may be made only against (and are those solely of) the entities that are expressly identified as parties in the preamble to this Agreement ("Contracting Parties"). No Person who is not a Contracting Party, including without limitation any director, officer, employee, incorporator, member, partner, manager, stockholder, affiliate, agent, attorney, or representative of, and any financial advisor or lender to, any of the foregoing ("Nonparty Affiliates"), shall have any liability (whether in contract or in tort, in law or in equity, or granted by statute) for any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates, unless such liabilities, claims, causes of action, and obligations arise from deliberately fraudulent acts. Without limiting the foregoing, to the maximum extent permitted by law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands or causes of action that may otherwise be available at law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of a Contracting Party on any Nonparty Affiliate, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any Nonparty Affiliates with to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Nothing herein is intended to prevent a Contracting Party from pursuing any distinct legal rights it may have against a Nonparty Affiliate which arise from a separate document, such as a guaranty of performance, personal guaranty, corporate guaranty or similar agreement. Notwithstanding any other provision of this Agreement which limits the right of prospective Third-Party Beneficiaries, any Nonparty Affiliate may rely on this provision and enforce it against any Contracting Party or other Person or entity.

17.9 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, except the payment of monies, neither party shall be liable or responsible for any delays due to Force Majeure or other causes beyond the reasonable control of the parties that materially affects a party's ability to perform. In this Agreement, the term "Force Majeure" shall include any of the following: (i) casualty or condemnation; (ii) storm, earthquake, hurricane, tornado, flood or other act of God; (iii) war, insurrection, pandemics, epidemics, quarantine restrictions, civil commotion or act of terrorism; (iv) strikes or lockouts; (v) embargoes, lack of water, materials, power or telephone transmissions specified or reasonably necessary in connection with the production, storage, shipment, or sale of goods and services; or (vi) failure of any applicable governmental authority to issue any approvals, or the suspension, termination or revocation of any material approvals, required for the production, storage, shipment, or sale of goods or services. Any time period for the performance of an obligation shall be extended for the amount of time of the delay. The party whose performance is affected by any of such causes shall give prompt written notice of the circumstances of such event to the other party, but in no event more than five (5) days after the commencement of such event. The notice shall describe the nature of the event and an estimate as to its duration. This clause shall not apply or not result in an extension of the term of this Agreement.

17.10 **Similar Agreements**. Franchisor makes no warranty or representation that anything contained in this Agreement may be construed as requiring that all the Red Light Method franchise agreements issued by Franchisor, during any time period, contain terms substantially similar to those contained in this Agreement. Further, Franchisee agrees and acknowledges that Franchisor may, in its reasonable business judgment, due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements granted to other Red Light Method franchisees in a non-uniform manner, subject to those provisions of this Agreement that require Franchisor to act toward its franchisees on a reasonably non-discriminatory basis.

18. ACKNOWLEDGMENTS

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

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

18.3 Franchisee acknowledges and agrees that Franchisor may elect to keep only electronic copies of any and all documents and records pertaining to the franchised business, the System, and the franchise relationship between the parties. Each such electronic record will accurately reflect the information in the document and will remain accessible to all persons entitled by law to access the information for the period of time required by law. The electronic record will be in a form capable of being accurately reproduced for later reference if necessary.

19. ENTIRE AGREEMENT

This Agreement, the documents referred to herein, and the exhibits hereto, constitute the entire and only agreement between the parties concerning the granting, awarding and licensing of Franchisee as an authorized Red Light Method Franchisee at the Authorized Location, and supersede all prior and contemporaneous agreements. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. This Agreement does not alter agreements between Franchisor and Franchisee for other locations. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim representations Franchisor made to Franchisee in the Franchise Disclosure Document or in any related document that Franchisor heretofore furnished to Franchisee.

20. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

20.1 The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

FRANCHISOR

Red Light Method Franchising, LLC
a Missouri limited liability company

By:________________________________

Print Name: ________________________

Title: _____________________________

Accepted: _________________________

FRANCHISEE

If Franchisee is an individual:

Signature:____________________________

Print Name: __________________________

Date: ___________________________

Signature:____________________________

Print Name: __________________________

Date: ___________________________

If Franchisee is a corporation or other entity:

____
[Name of Franchisee]

By: _____________________________

Print Name: ______________________

Title: ___________________________

Date: ___________________________

EXHIBIT 1(A) TO
RED LIGHT METHOD FRANCHISE AGREEMENT

STUDIO FORMAT, AUTHORIZED LOCATION AND PROTECTED TERRITORY ADDENDUM

This Addendum is made to the Red Light Method Franchise Agreement (the "Franchise Agreement") between Red Light Method Franchising, LLC ("Franchisor") and ________________________ ("Franchisee"), dated ___________________, 20__.

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

2. **Studio Format.** The parties hereto agree that the Studio will be operated in the format selected below (check one box):

☐ **Classic Model** or ☐ **Pilates Model**

3. **Authorized Location**. The parties hereto agree that the Authorized Location referred to in Section 1.3 of the Franchise Agreement shall be the following:
____.

Franchisor's Initials ____ Date __________ Franchisee's Initials ____ Date __________

If the Authorized Location has not been determined at the time of the execution of the Franchise Agreement, the address may be inserted above at a later date but must be initialed and dated by Franchisee and Franchisor.

4. **Protected Territory.** The parties hereto agree that the Protected Territory referred to in Section 1.4 of the Franchise Agreement shall be <u>within</u> the following defined area:

____
____.

A map of the Protected Territory is provided on Exhibit 1(B).

This Addendum is agreed to and accepted by the parties this ___ day of __________________ 20__.

FRANCHISOR:	**FRANCHISEE:**
By: ________________________________	By: ________________________________
Print Name: ________________________	Print Name: ________________________
Title: ______________________________	Title: ______________________________

[Signatures continued on following page]

[Continued signatures to Exhibit 1(A)]

FRANCHISEE:

By: ______________________________

Print Name: _______________________

Title: _____________________________

EXHIBIT 1(B) TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

MAP OF THE TERRITORY

EXHIBIT 2 TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER AGREEMENT

This Electronic Funds Transfer Agreement (the “Agreement”) is made on this ___ day of _________________________ 20___, by and between Red Light Method Franchising, LLC (“Franchisor”), and ______________________________ or their assignee, if a partnership, corporation or limited liability company is later formed (“Franchisee").

WHEREAS, Franchisor and Franchisee are parties to a Red Light Method Franchise Agreement executed on even date herewith (the “Franchise Agreement”) and desire to enter into an Addendum to the Franchise Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein and as an inducement to Franchisor to execute the Franchise Agreement, the parties agree as follows:

A. Franchisee shall pay any and all fees and other charges in connection with this Addendum and the Franchise Agreement (including, without limitation, the Royalty Fees, contributions to the Marketing Fund, and any other payments due to Franchisor by Franchisee, and any applicable late fees and interest charges) by electronic, computer, wire, automated transfer, ACH debiting, and bank clearing services (collectively "electronic funds transfers" or “EFT”'), and Franchisee shall undertake all action necessary to accomplish such transfers.

B. Upon execution and delivery of this Agreement, Franchisee shall execute and deliver two (2) originals of the “Electronic Debit Authorization” attached as Exhibit 3 to the Franchise Agreement, which authorizes Franchisee’s bank or other financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit fees and contributions owing Franchisor directly to Franchisor’s bank account(s). Upon Franchisor’s request, Franchisee shall deliver to Franchisor all additional information that Franchisor deems necessary (including, without limitation, financial institution of origin and relevant accounts and ABA/transit numbers for any new bank accounts that Franchisee opens after the date of this Addendum) in connection with such EFT.

C. By executing this Addendum, Franchisee authorizes Franchisor to withdraw funds at such days and times as Franchisor shall determine via EFT from Franchisee’s bank account for all fees and other charges in connection with the Franchise Agreement and this Addendum, as described in the first sentence of this paragraph. Franchisee authorizes monthly ACH debits via EFT based on an amount equal to the total monthly amount due Franchisor, as set forth in Section 5 of the Franchise Agreement.

D. Franchisee is responsible for paying all service charges and other fees imposed or otherwise resulting from action by Franchisee’s bank in connection with EFT by Franchisor, including, without limitation, any and all service charges and other fees arising in connection with any EFT by Franchisor not being honored or processed by Franchisee’s bank for any reason and a Fifty Dollar ($50) charge by Franchisor for processing the EFT. Upon written notice by Franchisor to Franchisee, Franchisee may be required to pay any amount(s) due under the Franchise Agreement and/or this Addendum directly to Franchisor by check or other non-electronic means in lieu of EFT at Franchisor’s discretion. It shall be a non-curable event of default under Article 15 of the Franchise Agreement if Franchisee closes any bank account without completing all of the following forthwith after such closing: (1) immediately notifying

Franchisor thereof in writing, (2) immediately establishing another bank account, and (3) executing and delivering to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account by EFT as this Addendum permits.

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

F. Wherefore, the parties have set forth their hand and seal on the day and date first above written.

FRANCHISOR:

By: _______________________________

Print Name: ________________________

Title: ______________________________

FRANCHISEE:

By: _______________________________

Print Name: ________________________

Title: ______________________________

By: _______________________________

Print Name: ________________________

Title: ______________________________

EXHIBIT 3 TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

ELECTRONIC DEBIT AUTHORIZATION

FRANCHISOR: RED LIGHT METHOD FRANCHISING, LLC

FRANCHISOR ID NUMBER: ____________________________

The undersigned hereby authorizes Red Light Method Franchising, LLC ("Franchisor"), to initiate debit entries to the undersigned's checking account indicated below and the depository named below (the "Depository"), to debit the same to such account.

Depository Name: ____
Branch: ____
City State and Zip Code: ____
____
Transit/ABA No.: ____
Account Number: ____

This authority is to remain in full force and effect until the underlying obligations under the Franchise Agreement have been satisfied in full or released in writing by Franchisor.

This authorization further confirms my understanding of Exhibit 2 to the Franchise Agreement signed by me/us in which I/we expressly agree that this authorization shall apply to any and all Depositories and bank accounts with which I/we open accounts during the term of the Franchisee Agreement and any renewals. Without limiting the generality of the forgoing, I/we understand that if I/we close any bank account, I/we are obligated immediately to: (i) notify Franchisor thereof in writing, (ii) establish another bank account, and (iii) execute and deliver to Franchisor all documents necessary for Franchisor to begin and continue making withdrawals from such bank account/depository by ACH debiting or other electronic means. I/we specifically agree and declare that this Authorization shall be the only written authorization needed from me/us in order to initiate debit entries/ACH debit originations to my/our bank account(s) established with any Depository in the future.

DATE: ____

ID NUMBER: ____

PRINT NAME(S): SIGNATURE(S):

______________________________ ___________________________

______________________________ ___________________________

EXHIBIT 4 TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to Red Light Method Franchising, LLC ("Franchisor") to execute the Red Light Method Franchise Agreement (the "Franchise Agreement"), of even date herewith, by and between Franchisor and ___________________________ or his assignee, if a partnership, corporation or limited liability company is later formed ("Franchisee"), ______________________________ ("Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including all of Franchisee's monetary obligations arising under or by virtue of the Franchise Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Franchisee under the Franchise Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust or compromise any claims against Franchisee.

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

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement, any amendment, or any other agreement executed by Franchisee referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Franchise Agreement and all terms and conditions of the Franchise Agreement requiring Franchisee not to disclose confidential information.

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

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

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

This Guarantee is to be performed in Pineville, Missouri, and shall be governed by and construed in accordance with the laws of the State of Missouri. Guarantor(s) specifically agrees that the state and federal courts situated nearest to McDonald County, Missouri, shall have exclusive jurisdiction over Guarantor(s) and this Guarantee. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of Missouri as his agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Franchise Agreement (except as otherwise provided in Article 16 of the Franchise Agreement).

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

GUARANTOR	**GUARANTOR**
By: ___________________________________	By: ___________________________________
Print Name: ___________________________	Print Name: ___________________________
SS #: __________________________________	SS #: __________________________________
DOB: __________________________________	DOB: __________________________________
Driver's License No. _____________________	Driver's License No. _____________________

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

______________________________________ Name of Guarantor	______________________________________ Name of Guarantor
______________________________________ Name of Guarantor's Spouse	______________________________________ Name of Guarantor's Spouse
______________________________________ Signature of Guarantor's Spouse	______________________________________ Signature of Guarantor's Spouse

EXHIBIT 5 TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

ADDENDUM TO LEASE

This Addendum to Lease (this "Addendum") modifies and supplements that certain lease dated __________________________ and entered into by Tenant and Landlord concerning the Location at ____(the "Lease").

Landlord and Tenant, intending that Red Light Method Franchising, LLC, a Missouri limited liability company, ("Franchisor") (and its successors and assigns) be a third-party beneficiary of this Addendum, agree as follows:

(1) Landlord shall, during the term of the Lease and thereafter, provide Franchisor all sales and other information it may have, whether provided by Tenant or otherwise, related to the operation of Tenant's Studio as Franchisor may reasonably request;

(2) Tenant may display the trademarks, service marks and other commercial symbols owned by Franchisor and used to identify the service and/or products offered at the Studio, including the name "Red Light Method," the Studio design and image developed and owned by Franchisor, as it currently exists and as it may be revised and further developed by Franchisor from time to time, and certain associated logos in accordance with the specifications required by the Red Light Method Manual, subject only to the provisions of applicable law and in accordance with provisions in the Lease no less favorable than those applied to other tenants of Landlord;

(3) Tenant shall not, and the Landlord shall not permit the tenant to, sublease or assign all or any part of the Lease or the Premises, or extend the term or renew the Lease, without Franchisor's prior written consent;

(4) Landlord shall concurrently provide Franchisor with a copy of any written default notice sent to Tenant and thereupon grant Franchisor the right (but not the obligation) to cure any deficiency or default under the Lease, should Tenant fail to do so, within five (5) days after the expiration of the period in which Tenant may cure the default;

(5) The Premises shall be used only for the operation of a Red Light Method Studio;

(6) Tenant may, without Landlord’s consent (but subject to providing Landlord with written notice thereof), at any time assign this Lease or sublease the whole or any part of the Premises to Franchisor or any successor, subsidiary or affiliate of Franchisor;

(7) In the event of an assignment of the Lease to Franchisor as described in (6) above, Franchisor may further assign this Lease, subject to Landlord's consent, such consent not to be unreasonably withheld based on the remaining obligations of assignee under the Lease, to a duly authorized franchisee of Franchisor, and thereupon Franchisor shall be released from any further liability under the Lease;

(8) Until changed by Franchisor, notice to Franchisor shall be sent as follows:

Red Light Method Franchising, LLC
1400 SE Walton Blvd, Suite 34
Bentonville, Arkansas 72712
Attn: Allison Beardsley

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

AGREED:

TENANT	LANDLORD
By: ________________________________	By: ________________________________
Print Name: __________________________	Print Name: __________________________
Its: ________________________________	Its: ________________________________
Date: ______________________________	Date: ______________________________

EXHIBIT 6 TO THE
RED LIGHT METHOD FRANCHISE AGREEMENT

STUDIO CONVERSION ADDENDUM

This Addendum is made to the Red Light Method Franchise Agreement (the "Franchise Agreement") between Red Light Method Franchising, LLC ("Franchisor") and ________________________ ("Franchisee"), dated ___________________, 20__.

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

2. **Change of Studio Format.** Franchisee currently operates its Red Light Method Studio in the format selected here: ☐ **Classic Model** or ☐ **Pilates Model**, and desires to convert the Studio to the format selected below (check one box):

New Studio Format

☐ **Classic Model** or ☐ **Pilates Model**

3. **Franchisor's Consent**. Franchisor agrees to allow Franchisee to change the Studio's current format to the "New Studio Format," selected immediately above, upon the following terms and conditions:

(a) **Good Standing**. Franchisee must be in "Good Standing," as that term is defined in Section 8.7 of the Franchise Agreement.

(b) **Adequate Studio Space**. If Franchisee is converting the Studio from a Classic Model to a Pilates Model, Franchisee must demonstrate, to Franchisor's satisfaction, that the Studio has adequate space (i.e., at least 2,000 square feet) to accommodate the required number of Pilates reformers in addition to the Power Plates and red light therapy treatment rooms.

(c) **Equipment**. Franchisee must purchase any and all then-current required equipment (e.g., Pilates reformers) for the New Studio Format.

(d) **Execution of a General Release.** Franchisee and its owners, partners, or members must execute a general release in a form and substance satisfactory to Franchisor, releasing any and all claims against Franchisor and its affiliates, officers, directors, employees and agents.

[Signatures on following page.]

This Addendum is agreed to and accepted by the parties this ___ day of ___________________ 20__.

FRANCHISOR:	**FRANCHISEE:**
By: ________________________________	By: ________________________________
Print Name: ________________________	Print Name: ________________________
Title: _______________________________	Title: _______________________________
	By: ________________________________
	Print Name: ________________________
	Title:______________________________

Exhibit B
To Franchise Disclosure Document

LIST OF STATE AGENTS FOR SERVICE OF PROCESS
AND STATE ADMINISTRATORS

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

CALIFORNIA
Commissioner of Financial Protection and Innovation
DFPI Main Office – Sacramento
2101 Arena Boulevard
Sacramento, CA 95834
Tel: (415) 972-8559
Fax: (415) 972-8590
Toll Free: (866) 275-2677
Website: https://dfpi.ca.gov
Email: Ask.DFPI@dfpi.ca.gov

CONNECTICUT
Department of Banking
Securities and Business Investments Division
260 Constitution Plaza
Hartford, Connecticut 06103-1800
Tel: (860) 240-8230

FLORIDA
Tom Kenny, Regulatory Consultant
Department of Agriculture & Consumer Services
Division of Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314
Tel: (850) 488-2221
Fax: (850) 410-3804

HAWAII
(for service of process)
Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

(state agency)
Department of Commerce &
Consumer Affairs
King Kalakaua Building
335 Merchant Street, Rm 203
Honolulu, Hawaii 96813
Tel: (808)586-2722
Fax: (808) 587-7559

ILLINOIS
Franchise Bureau
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA
(for service of process)
Indiana Secretary of State
201 State House
Indianapolis, Indiana 46204

(state agency)
Securities Commissioner
Indiana Secretary of State
Securities Division, Franchise Section
302 West Washington Street,
Room E-111
Indianapolis, Indiana 46204
Tel: (317) 232-6681

IOWA
Dennis Britson
Director of Regulated Industries Unit
Iowa Securities Bureau
340 Maple
Des Moines, Iowa 50319-0066
Tel: (515) 281-4441
Fax: (515) 281-3059
email: iowasec@iid.state.ia.us

MARYLAND
(for service of process)
Maryland Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020

(state agency)
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
Tel: (410) 576-6360

MICHIGAN
(for service of process)
Michigan Department of Consumer and Industry Services
Bureau of Commercial Services
Corporations Division
PO Box 30054
Lansing, Michigan 48909
Tel: (517) 241-6470

MICHIGAN
(state agency)
Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Section
670 Law Building
Lansing, MI 48913
Tel: (517) 373-7117

MINNESOTA
Commissioner of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101-2198
Tel: (651) 539-1638

NEBRASKA
Gene Schenkelberg, Securities Analyst
Department of Banking & Finance
1200 N. Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
Tel: (402) 417-3445

NEW YORK
(Agent for Service of Process)
Secretary of State
99 Washington Avenue
Albany, NY 12231

(Administrator)
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Floor
New York, NY 10005
Tel: (212) 416-8222

NORTH DAKOTA
(for service of process)
North Dakota Securities Commissioner
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510

(state agency)
North Dakota Securities Department
600 East Boulevard, 5th Floor
Bismarck, North Dakota 58505-0510
Tel: (701) 328-2910

OREGON
Director, Department of Consumer &
Business Services
Division of Finance & Corporate Securities
Labor and Industries Building
Salem, Oregon 97310
Tel: (503) 378-4140
Fax: (503) 947-7862
Email: dcbs.dfcsmail@state.or.us

RHODE ISLAND
Director
Securities Division
Department of Business Regulation,
Building 69, First Floor
John O. Pastore Center
1511 Pontiac Avenue,
Cranston, Rhode Island 02920
Tel: (401) 462 9582

SOUTH DAKOTA
Director, Department of Labor and
Regulation
Division of Securities
124 S Euclid, Suite 104
Pierre, South Dakota 57501
Tel: (605) 773-4823

(continued on next page)

TEXAS
Statutory Document Section
Secretary of State
1719 Brazos
Austin, Texas 78701
Attn: Dorothy Wilson
Tel: (512) 475-1769

UTAH
Director, Division of Consumer Protection
Utah Dept. of Commerce
160 East Three Hundred South
SM Box 146704
Salt Lake City, Utah 84114-6704
Tel: (801) 530-6601
Fax: (801) 530-6001

VIRGINIA
(for service of process)
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

(state agency)
Director
State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
Tel: (804) 371-9051

WASHINGTON
(for service of process)
Administrator
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

WASHINGTON
(state agency)
Administrator
Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
Tel: (360) 902-8760
Fax: (360) 902-0524

WISCONSIN
Commissioner of Securities
Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768
Tel: (608) 266-2801

Exhibit C
To Franchise Disclosure Document

FINANCIAL STATEMENTS

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 14, 2024

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.

Red Light Method Franchising, LLC

Balance Sheet

As of June 14, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
3368 Checking	167,568.55
Total Bank Accounts	**$167,568.55**
Accounts Receivable	
Accounts Receivable (A/R)	60,000.00
Total Accounts Receivable	**$60,000.00**
Total Current Assets	**$227,568.55**
Fixed Assets	
Furniture & fixtures	1,924.00
Tools, machinery, and equipment	57,551.25
Total Fixed Assets	**$59,475.25**
TOTAL ASSETS	**$287,043.80**
LIABILITIES AND EQUITY	
Liabilities	
Total Liabilities	
Equity	
Opening balance equity	250,500.00
Retained Earnings	
Net Income	36,543.80
Total Equity	**$287,043.80**
TOTAL LIABILITIES AND EQUITY	**$287,043.80**

Red Light Method Franchising, LLC

Profit and Loss

January 1 - June 14, 2024

	TOTAL
Income	
Sales	67,777.00
Total Income	**$67,777.00**
GROSS PROFIT	**$67,777.00**
Expenses	
Advertising & marketing	17,200.00
General business expenses	
Bank fees & service charges	22.80
Continuing education	306.44
Total General business expenses	**329.24**
Legal & accounting services	
Accounting fees	1,500.00
Legal Fees	11,922.00
Total Legal & accounting services	**13,422.00**
Meals	
Travel meals	67.96
Total Meals	**67.96**
Office expenses	
Software & apps	214.00
Total Office expenses	**214.00**
Total Expenses	**$31,233.20**
NET OPERATING INCOME	**$36,543.80**
NET INCOME	**$36,543.80**

RED LIGHT METHOD FRANCHISING, LLC

FINANCIAL STATEMENTS

FEBRUARY 20, 2024

ELLSWORTH • STOUT

CPAs and Consultants

RED LIGHT METHOD FRANCHISING, LLC
FINANCIAL STATEMENTS
FEBRUARY 20, 2024

Table of Contents

Independent Auditor's Report

To the Members
Red Light Method Franchising, LLC

Opinion
We have audited the accompanying financial statements of Red Light Method Franchising, LLC, which comprise the balance sheet as of February 20, 2024 and the related statements of income and members' equity, and cash flows for the period July 13, 2023 (date of inception) to February 20, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red Light Method Franchising, LLC as of February 20, 2024, and the results of its operations and its cash flows for the period July 13, 2023 (date of inception) to February 20, 2024 in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

Ellsworth & Stout, LLC

March 7, 2024
Las Vegas, NV

RED LIGHT METHOD FRANCHISING, LLC
BALANCE SHEET
FEBRUARY 20, 2024

ASSETS		
Current Assets:		
Cash	$	250,500
Total Assets	$	250,500
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities	$	-
Members' Equity		250,500
Total Liabilities and Members' Equity	$	250,500

See accompanying notes to the financial statements.

RED LIGHT METHOD FRANCHISING, LLC
STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE PERIOD JULY 13, 2023 (DATE OF INCEPTION) TO FEBRUARY 20, 2024

Revenue	$ -
Operating Expenses	-
Net Income	-
Members' Equity, Beginning of Period	-
Member contributions	250,500
Members' Equity, End of Period	$ 250,500

See accompanying notes to the financial statements.

RED LIGHT METHOD FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE PERIOD JULY 13, 2023 (DATE OF INCEPTION) TO FEBRUARY 20, 2024

Cash Flows From Operating Activities:	
Net income	$ -
Cash Flows From Financing Activities:	
Member contributions	250,500
Net cash provided by financing activities	250,500
Net Change in Cash	250,500
Cash, Beginning of Period	-
Cash, End of Period	$ 250,500

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Red Light Method Franchising, LLC (the "Company") is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of the Business

The Company was organized on July 13, 2023 under the laws of the state of Missouri. The Company's business is offering franchises for the operation of a hybrid spa-gym, boutique fitness business offering medical-grade red light therapy spa treatments and group Power Plate classes at Studios identified by the "Red Light Method" trade name and marks.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with original maturity of three months or less to be cash equivalents.

Income Taxes

The Company is treated as a pass-through entity for federal and state income tax purposes. Therefore, the Company does not pay federal or state taxes on its income. No provision for income tax for the Company has been made in the accompanying financial statements.

As defined by Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 740, Income Taxes, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in this financial statement.

The Company is no longer subject to potential tax examination by tax authorities for years in which the statute of limitations has expired.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

In accordance with ASC 606, the Company applies each of the following steps in the recognition of contract revenue:

- Identifies contracts with customers.
- Identifies performance obligations in contracts.
- Determines transaction prices.
- Allocates transaction prices to performance obligations in the contracts.
- Recognizes revenue when performance obligations are satisfied.

The Company executes franchise agreements for each franchise which set out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, nonrefundable fee and continuing fees. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company has elected to account for pre-opening services as a single performance obligation.

Initial franchise fees are recognized once the Company has satisfied the related performance obligations. Revenue is deferred until these performance obligations are satisfied.

Continuing fees are recognized as they are earned.

NOTE 2 – MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2024, the date on which the financial statements were available to be issued. No other events were identified that required adjustment or disclosure in the financial statements.

Exhibit D
To Franchise Disclosure Document

TABLE OF CONTENTS OF THE OPERATIONS MANUAL

RED LIGHT METHOD
OPERATIONS MANUAL
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Exhibit E
To Franchise Disclosure Document

GENERAL RELEASE OF ALL CLAIMS

GENERAL RELEASE OF ALL CLAIMS

_______________________(“**FRANCHISEE**”) and ______________________, **an individual** (“**GUARANTOR**”) enter into this General Release on __________________, with reference to the following facts:

1. On ______________________, **Red Light Method Franchising, LLC,** a Missouri limited liability company (“**FRANCHISOR**”), and FRANCHISEE entered into a Franchise Agreement (the “**Franchise Agreement**”) to operate a Red Light Method Studio located at _________________________________ (the “**Premises**”). GUARANTOR guaranteed FRANCHISEE’S performance under the Franchise Agreement pursuant to a Guarantee and Assumption of Obligations (the “**Guarantee**”). In consideration of FRANCHISOR’S processing and approval of ____, the Franchise Agreement provides that FRANCHISEE must sign this General Release as a condition to such ___________. All capitalized terms not otherwise defined in this General Release shall have the same meaning as in the Franchise Agreement and/or the Guarantee.

2. For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, FRANCHISEE and GUARANTOR hereby release and forever discharge FRANCHISOR, its parents and subsidiaries and the directors, officers, employees, attorneys and agents of said corporations, and each of them, from any and all claims, obligations, liabilities, demands, costs, expenses, damages, actions and causes of action, of whatever nature, character or description, known or unknown (collectively “**Damages**”), which arose on or before the date of this General Release, including any Damages with respect to the Franchise Agreement, the Franchised Business, the Premises and the Guarantee. FRANCHISEE waives any right or benefit which FRANCHISEE or GUARANTOR may have under Section 1542 of the California Civil Code or any equivalent law or statute of any other state. Section 1542 of the California Civil Code reads as follows:

> "A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party."

3. This General Release sets forth the entire agreement and understanding of the parties regarding the subject matter of this General Release and any agreement, representation or understanding, express or implied, heretofore made by any party or exchanged between the parties are hereby waived and canceled.

4. This Agreement shall be binding upon each of the parties to this General Release and their respective heirs, executors, administrators, personal representatives, successors and assigns.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year set forth above.

FRANCHISEE:

By: ________________________________

Print Name: ________________________

Title: ______________________________

GUARANTOR:
(An individual)

By: ________________________________

Print Name: ________________________

Exhibit F
To Franchise Disclosure Document

STATE SPECIFIC ADDENDA

ADDITIONAL STATE DISCLOSURES

If the franchise is located in or if franchisee is a resident of any of the following states, then the designated provisions in the Uniform Franchise Disclosure Document ("Disclosure Document") and Franchise Agreement will be amended as follows:

CALIFORNIA

ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise.

Our website, www.redlightmethod.com, has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at https://dfpi.ca.gov

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF THE AGREEMENT.

1. The following language is added to the end of Item 3 of the Disclosure Document:

    Neither Red Light Method Franchising, LLC, nor any person identified in Item 2, or an affiliate or franchise broker offering franchises under our principal trademark 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, 15 U.S.C.A. 78a et seq., suspending or expelling such person from membership in such association or exchange.

2. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

    The Franchise Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

    California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

    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.).

    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, but we will enforce it to the extent enforceable.

The Franchise Agreement requires application of the laws of the state where the Franchisor's then-current headquarters is located. This provision may not be enforceable under California law, but we will enforce it to the extent enforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in in the county where the Franchisor's then-current headquarters is located (currently, McDonald County, Missouri) with the costs being borne by the non-prevailing party. The prevailing party shall be entitled to recover reasonable compensation for expenses, costs and fees in connection with arbitration, including reasonable attorney's fees. 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.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

3. The following risks are added to the "**Special Risks to Consider About *This* Franchise**" page:

The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. Note: maximum price agreements are not per se violations of the Sherman Act.

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

5. THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER.

6. 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.

7. **Franchise Agreement Provisions Void as Contrary to Public Policy:** In accordance with California Corporations Code **Section 31512.1**:

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
(a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
(b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
(c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.

(d) Violations of any provision of this division.

8. The following statement is added to Item 6:

The maximum interest rate allowed in California is 10% annually.

9. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

HAWAII

ADDENDUM TO DISCLOSURE DOCUMENT

These franchises will be/ have been filed under the Franchise Investment Law of the State of Hawaii. Filing does not constitute approval, recommendation or endorsement by the Director of Commerce and Consumer Affairs or a finding by the Director of Commerce and Consumer Affairs that the information provided herein is true, complete, and not misleading.

The Franchise Investment Law makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the Disclosure Document, together with an copy of all proposed agreements relating to the sale of the franchise.

This Disclosure Document contains a summary only of certain material provisions of the franchise agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

<u>ILLINOIS</u>

ADDENDUM TO DISCLOSURE DOCUMENT

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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.

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

6. By reading this disclosure document, you are <u>not</u> agreeing to, acknowledging, or making any representations whatsoever to the Franchisor and its affiliates.

ILLINOIS

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Franchise Agreement ("**Agreement**") agree as follows:

1. Illinois law governs the Franchise Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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.

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:______________________________
By: ____________________________________	By: ____________________________________
Title:____________________________________	Title: __________________________________
Date:____________________________________	Date: __________________________________

ILLINOIS

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

The Area Development Agreement is specifically amended as follows:

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987 (as amended), the parties to the attached Area Development Agreement ("**Agreement**") agree as follows:

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that 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.

4. Your rights upon termination and non-renewal of a franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. Section XVI, Entire Agreement, shall be amended by adding the following:

"Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments."

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________________
By: _______________________________________	By: _______________________________________
Title:______________________________________	Title: ______________________________________
Date:______________________________________	Date: ______________________________________

MARYLAND

ADDENDUM TO DISCLOSURE DOCUMENT

1. The "**Summary**" section of Item 17(c) entitled **Requirements for Franchisee to renew or extend**, and the "Summary" section of Item 17(m) entitled **Conditions for Franchisor approval of transfer**, is amended by adding the following:

> Pursuant to COMAR 02.02.08.16L, the general release required as a condition of the sale, renewal, or assignment of the franchise shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. The "**Summary**" section of Item 17(h) entitled **"Cause" defined (defaults which cannot be cured)**, is amended by adding the following:

> The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following are added to the end of the chart in Item 17:

> Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.
>
> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

MARYLAND

AMENDMENT TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

The Franchise Agreement and Area Development Agreement are specifically amended as follows to include the following provisions:

Pursuant to COMAR 02.02.08.16L, any provision requiring Franchisee to execute a general release of any and all claims against Franchisor shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel, or waiver of liability as a condition of purchasing a franchise. Any provision of this Agreement which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law in order to purchase a franchise 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.

This 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.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:____________________
By: ____________________	By: ____________________
Title:____________________	Title: ____________________
Date:____________________	Date: ____________________

MICHIGAN

ADDENDUM TO DISCLOSURE DOCUMENT

The following disclosures are required by the State of Michigan:

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

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

A. A prohibition on the right of a franchisee to join an association of franchisees.

B. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

C. A provision that permits a franchisor to terminate a franchise prior to the expiration of this term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

D. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

F. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

G. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. The 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:

1) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

H. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (C).

I. A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless a provision has been made for providing the required contractual services.

2. If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00 the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

3. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be direct to:

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, MI 48933
(517) 373-1160

Note: Despite paragraph F above, we intend to enforce fully the provisions of the arbitration section contained in the Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing our arbitration section. You acknowledge that we will seek to enforce this section as well.

MINNESOTA

ADDENDUM TO DISCLOSURE DOCUMENT

In accordance with the requirements of the state of Minnesota the following disclosure should be read in conjunction with the Disclosure Document. Any inconsistency with the information contained in the Disclosure Document will be resolved in favor of this Minnesota Addendum.

1. Item 13 **Trademarks** is amended by adding the following:

   As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any of your costs incurred in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by us, and so long as we are timely notified of the claim and are given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

2. Item 17 **Renewal, Termination, Transfer and Dispute Resolution** is amended by adding the following:

   A. **Renewal and Termination**
   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Agreement.

   B. **Choice of Forum**
   Nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

   C. **Releases**
   A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.

3. These franchises have been registered under the Minnesota Franchise Act, registration does not constitute approval, recommendation, or endorsement by the Commissioner of Commerce of Minnesota or a finding by the Commissioner that the information provided herein is true, complete, and not misleading.

4. The Minnesota Franchise Act makes it unlawful to offer or sell any franchise in this state which is subject to registration without first providing to the franchisee, at least 7 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 7 days prior to the payment of any consideration, by the franchisee, whichever occurs first, a copy of this Disclosure Document, together with a copy of all proposed agreements relating to the franchise. This Disclosure Document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for an understanding of all rights and obligations of both the franchisor and the franchisee.

5. With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Section 80C.17, Subd. 5, which requires that no action may be commenced more than three years after the cause of action accrues.

6. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, us obtaining injunctive relief, termination penalties or judgment notes. However, we and you will enforce these provisions in the Franchise Agreement and/or Area Development Agreement to the extent the law allows.

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

MINNESOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et seq., the parties to the attached Franchise Agreement ("Agreement") agree as follows:

> With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.
>
> As required by Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), Franchisor will reimburse Franchisee for any costs incurred by Franchisee in the defense of Franchisee's right to use the Marks, so long as Franchisee was using the Marks in the manner authorized by Franchisor, and so long as Franchisor is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.
>
> A general release shall not relieve any person from liability imposed by the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Section 80C.22.
>
> With respect to franchises governed by Minnesota law, Franchisor will comply with Minn. Stat. Sec. 80C.17, Subd. 5, which requires that no action may be commenced more than three years after the cause of action accrues.
>
> Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit Franchisor from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
>
> Minn. Rule Part 2860.4400J prohibits a Franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; waiving any bond required by a court; or consenting to liquidated damages, Franchisor obtaining injunctive relief, termination penalties or judgment notes. However, Franchisor and Franchisee will enforce these provisions in the Agreement to the extent the law allows.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:______________________
By: ______________________	By: ______________________
Title:______________________	Title: ______________________
Date:______________________	Date: ______________________

NEW YORK

ADDENDUM TO DISCLOSURE DOCUMENT

The Disclosure Document is amended as follows:

1. The following paragraphs are added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK, 10271-0332.

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

Except as provided above, with regard to 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 Item 4:

Neither we nor any of our affiliates, predecessors, officers, or general partners have, during the 10-year period immediately before the date of the Franchise Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the U.S. Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of ours held this position in such company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. 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.

6. The following language replaces the "Summary" section of Items 17(d), titled "**Termination by franchisee"**:

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

7. The following language is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following language is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**," and Item 17(w), titled "**Choice of law"**:

The forgoing 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 DISCLOSURE DOCUMENT

1. The following language is added to the "Summary" section of Item 17(c) entitled **Requirements for you to renew or extend** and Item 17(m) entitled **Conditions for our approval of a transfer**:

> The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The applicable portion of the "Summary" section of Item 17(i) entitled **Your obligations on termination/non-renewal** is amended to read as follows:

> If we prevail in any enforcement action, you will pay all damages and costs we incur in enforcing the termination provisions of the Franchise Agreement.
>
> Any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.
>
> The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

3. The following is added to the "Summary" section of Item 17(u) entitled **Dispute resolution by arbitration or mediation**:

> To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.
>
> The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

4. The following is added to the "Summary" section of Item 17(r) entitled **Non-competition covenants after the franchise is terminated or expires**:

> Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

5. The following is added to the "Summary" section of Item 17(v) entitled **Choice of forum**:

> However, to the extent allowed by the North Dakota Franchise Investment Law, you may commence any cause of action against us in any court of competent jurisdiction, including the state or federal courts of North Dakota.

6. The following is added to the "Summary" section of Item 17(w) entitled Choice of Law:

> To the extent California law conflicts with North Dakota law, North Dakota law will control.

NORTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

1. The following is added to Section 3.2, **"RENEWAL"** and Section 14 "**TRANSFER OF INTEREST**":

   The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

2. The following is added to Section 16.2, "**VENUE**":

   However, to the extent allowed by the North Dakota Franchise investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

3. The following is added to Section 16.1, "**MANDATORY BINDING ARBITRATION"**

   To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. Section 18, "**ACKNOWLEDGMENTS**" is amended by the addition of the following language to the original language that appears therein to read as follows:

   Franchisee acknowledges that Franchisee received a copy of this Agreement, the attachments hereto, if any, and agreements relating thereto, if any, at least seven (7) days prior to the date on which this Agreement was executed.

5. Section 13.1 (regarding post-term restrictions) is amended by the addition of the following language to the original language that appears therein:

   Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

6. In Sections 15.4 and 15.5, any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.

7. The following language is added at the end of Section 16.4, "**CHOICE OF LAWS**":

   To the extent Missouri law conflicts with North Dakota law, North Dakota law will control.

8. The following is added to Section 16.1, "**WAIVER OF COURT TRIAL**":

   The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

9. The following is added to Section 16, "**RESOLUTION OF DISPUTES**":

   The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________________
By: ______________________________________	By: ______________________________________
Title:______________________________________	Title: _____________________________________
Date:______________________________________	Date: _____________________________________

NORTH DAKOTA

AMENDMENT TO AREA DEVELOPMENT AGREEMENT

1. In Section VIII, any requirement that Franchisee consent to termination penalties or liquidated damages may not be enforceable under North Dakota law.

2. Section X (regarding covenants not to compete) is amended by the addition of the following language to the original language that appears therein:

   Covenants not to compete such as those mentioned in this Section X are generally unenforceable in the State of North Dakota except in limited instances as provided by law.

3. The following is added to Section XIX (a), "**MANDATORY BINDING ARBITRATION"**

   To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Franchisor and Franchisee mutually agree.

4. The following is added to Section XIX(b), "**VENUE**":

   However, to the extent allowed by the North Dakota Franchise Investment Law, Franchisee may commence any cause of action against Franchisor in any court of competent jurisdiction, including the state or federal courts of North Dakota.

5. The following language is added at the end of Section XIX(g), "**CHOICE OF LAWS**":

   To the extent Missouri law conflicts with North Dakota law, North Dakota law will control.

6. The following is added to Section XIX(c), "**WAIVER OF TRIAL BY JURY":**

   The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

7. The following is added to Section XIX(d) **"LIMITATIONS ON CLAIMS"**:

   The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________
By: ______________________________	By: ______________________________
Title:_____________________________	Title: _____________________________
Date:_____________________________	Date: _____________________________

<u>RHODE ISLAND</u>

ADDENDUM TO DISCLOSURE DOCUMENT

The following language is added to Item 17(v) entitled **<u>Choice of forum</u>**:

, except as otherwise required by the Rhode Island Franchise Investment Act

RHODE ISLAND

AMENDMENT TO FRANCHISE AGREEMENT

In recognition of the requirements of the Rhode Island Franchise Investment Act (Section 19-28.1-14), the parties to the attached Franchise Agreement agree as follows:

Section 16.2, **"Venue"** is amended by adding the following:

> §19-24.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________________
By: ______________________________________	By: ______________________________________
Title:_____________________________________	Title: ____________________________________
Date:_____________________________________	Date: ____________________________________

SOUTH DAKOTA

AMENDMENT TO FRANCHISE AGREEMENT

The Franchise Agreement is specifically amended as follows:

The following provisions shall apply and supersede any provision in the Franchise Agreement to the contrary:

1. Franchise registration, employment, covenants not to compete and other matters of local concern will be governed by the laws of the State of South Dakota. As to contractual and all other matters, the Franchise Agreement will be and remain subject to the construction, enforcement and interpretation of the laws of the State specified in Article 16 of this Agreement. Any provision in the Franchise Agreement which designates jurisdiction or venue, or requires the franchisee to agree to jurisdiction or venue, in a forum outside of South Dakota, is deleted from any Franchise Agreement issued in the State of South Dakota.

2. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, or consequential damages or any provision that provides that parties waive their right to a jury trial may not be enforceable under South Dakota law.

3. No release language set forth in the Franchise Agreement shall relieve Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of South Dakota.

4. Termination provisions covering breach of the Franchise Agreement, failure to meet performance and quality standards, and failure to make Royalty payments contained in the Franchise Agreement shall afford you thirty (30) days written notice with an opportunity to cure the default before termination.

5. To the extent this Amendment is inconsistent with any terms or conditions of the Franchise Agreement, schedules or attachments thereto, or the Disclosure Document, the terms of this Amendment shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________
By: ________________________	By: ________________________
Title:________________________	Title: ________________________
Date:________________________	Date: ________________________

VIRGINIA

ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Red Light Method Franchising, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statement is added to Item 17.h:

> "Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute "reasonable cause", as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

WASHINGTON

ADDENDUM TO DISCLOSURE DOCUMENT

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with Red Light Method Franchising, LLC 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 Red Light Method Franchising, LLC including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by the 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 collectable to the extent that they reflect Red Light Method Franchising, LLC's reasonable estimated or actual costs in effecting a transfer.

Liquidated damages in the amount of $10,000 for compromising the secure access to the Manual, as disclosed in Item 6 and Item 11 of the Disclosure Document, will not be charged to franchisees located in the State of Washington.

WASHINGTON

ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The following language, which pertains to liquidated damages, is deleted from Section 6.4 "Operations Manual" of the Franchise Agreement:

> "If Franchisee in any way compromises the secure access to the online version of the Manual, including, but not limited to, allowing unauthorized users access to the Manual and its confidential contents, Franchisee will be required to pay Franchisor liquidated

damages in the amount of $10,000 for each such unauthorized access or disclosure, to compensate Franchisor for the breach and related damage to the Franchise Program."

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Amendment, understands and consents to be bound by all of its terms.

Red Light Method Franchising, LLC	Franchisee:________________________________
By: ________________________________	By: ________________________________
Title:________________________________	Title: ________________________________
Date:________________________________	Date: ________________________________

Exhibit G
To Franchise Disclosure Document

LIST OF FRANCHISEES AND THEIR OUTLETS

LIST OF FRANCHISEES AND THEIR OUTLETS AT OUR FISCAL YEAR END JUNE 30, 2023

There are none.

Exhibit H
To Franchise Disclosure Document

LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT

FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT IN OUR FISCAL YEAR 2023

There are none.

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

Exhibit I
To Franchise Disclosure Document

AREA DEVELOPMENT AGREEMENT

RED LIGHT METHOD FRANCHISING, LLC

AREA DEVELOPMENT AGREEMENT

TABLE OF CONTENTS

EXHIBITS

RED LIGHT METHOD
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (this "Agreement") is made effective as of ____________________, the Effective Date, by and between RED LIGHT METHOD FRANCHISING, LLC, a Missouri limited liability company, doing business as "Red Light Method" ("Franchisor) and ________________________, a/an ________________________________ ("Developer"). The "Effective Date" is the date Franchisor signs this Agreement as shown beneath its signature hereto.

RECITALS

A. **WHEREAS**, Red Lite Gym, LLC, a Missouri limited liability company, ("Licensor") owns and has developed and administers a system, including various business techniques and methods, standards, specifications and programs, trade secrets, copyrights, confidential and proprietary information and other intellectual property rights (the "System") for the establishment and operation of unique, hybrid spa-gym, boutique fitness businesses offering medical-grade red light therapy spa treatments and group Power Plate classes ("Red Light Method Studios"). Such businesses are identified by the "Red Light Method" trade name, logo, trademarks and service marks, and other related trade dress, as licensed hereunder (the "Marks").

B. **WHEREAS,** the System includes the Marks and trade secrets, proprietary methods and information and procedures for the establishment and operation of Red Light Method Studios, including, without limitation, confidential manuals (collectively, the "Manual"), red light therapy methods for body-contouring, pain and inflammation reduction, and increased blood flow, medical-grade red light pads, Power Plate equipment, and other related spa/gym equipment and products, furniture and fixtures, marketing, advertising and sales promotions, cost controls, accounting and reporting procedures, distinctive interior design and display procedures, and color scheme and decor.

C. **WHEREAS**, Franchisor grants to qualified persons who are willing to undertake the required investment and effort, a license to establish and operate a Red Light Method Studio.

D. **WHEREAS**, Developer has applied for an option to obtain licenses to establish and operate multiple Red Light Method Studios and such application has been approved by Franchisor in reliance upon all of the representations made therein.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other set forth in this Agreement, hereby agree as follows:

I. GRANT

(a) Franchisor hereby grants to Developer, pursuant to the terms and conditions of this Agreement, options to obtain licenses to establish and operate three (3) Red Light Method Studios within the territory described in Exhibit A attached hereto and incorporated herein by this reference ("Designated Territory").

(b) Developer shall be bound by the Development Schedule ("Development Schedule") set forth in Exhibit B. Time is of the essence to this Agreement. Each Studio shall be established and operated pursuant to a separate Red Light Method franchise agreement ("Franchise Agreement") to be entered into by Developer/Franchisee and Franchisor. Each Franchise Agreement shall be in Franchisor's then-current form of the Franchise Agreement. Developer acknowledges and agrees that all Franchise Agreements entered into in connection with the Studios within the Designated Territory are independent of this Agreement. The continued existence of such Franchise Agreement shall not depend on the continuing existence of this Agreement.

(c) This Agreement is not a Franchise Agreement, and Developer shall have no right to use the Marks in any manner by virtue hereof or to engage in the business of offering, selling or distributing goods or services under the Marks or the System in any manner.

(d) Developer shall have no right under this Agreement to license others to operate a business or use the System or the Marks.

II. <u>NO EXCLUSIVITY</u>

(a) Developer receives no exclusive rights to the Designated Territory under this Agreement. So long as Developer is in good standing and in compliance with this Agreement, Franchisor will not establish or license another to establish a Red Light Method Studio in the Designated Territory.

(b) During the term of this Agreement, Franchisor reserves the right to:

(i) establish and operate, and allow others to establish and operate, studios using the Marks and the System, at any location outside the Designated Territory, on such terms and conditions Franchisor deems appropriate;

(ii) establish and operate, and allow others to establish and operate, Competitive Businesses that may offer products and services that are identical or similar to products and services offered by the Studio, under trade names, trademarks, service marks and commercial symbols different from the Marks;

(iii) establish, and allow others to establish, other businesses and distribution channels (including, but not limited to, temporary or mobile facilities, sales through retail stores that do not operate under the Marks, sales made at wholesale, or sales via the Internet), wherever located or operating and regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, that operate under the Marks or any other trade names, trademarks, service marks or commercial symbols that are the same as or different from the Red Light Method Studio, and that sell products and/or services that are identical or similar to, and/or competitive with, those that the Red Light Method Studio customarily sells;

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

(v) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Studio, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Designated Territory; and

(vi) engage in all other activities not expressly prohibited by this Agreement.

III. DEVELOPMENT FEE

(a) As consideration for the rights and options granted herein, Developer shall pay to Franchisor a development fee ("Development Fee") in the lump sum amount of $120,000 for the three Studios to be developed under the terms of this Agreement. The Development Fee is to be paid simultaneously with the execution of this Agreement. The Development Fee is non-refundable, in whole or in part, under any circumstance.

(b) Notwithstanding anything to the contrary contained in the Franchise Agreement, the Initial Franchise Fee due for each Studio developed hereunder shall be reduced to $40,000.

(c) The Development Fee shall be credited to the Initial Franchise Fee due for each of the Studios developed hereunder, upon the execution of the Franchise Agreement, such that no further amount is due and owing by Developer/Franchisee to Franchisor in connection with any or all of the Studios listed on the Development Schedule attached hereto.

(d) Developer shall submit separate site information for each Studio to be established within the Designated Territory by Developer. Upon approval of the site for the Studio by Franchisor, a separate Franchise Agreement shall be executed for each such Studio. Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of such Studio.

IV. DEVELOPMENT SCHEDULE AND MANNER OF EXERCISING OPTIONS

(a) Developer agrees to have open and in operation at the end of each Development Period, as defined in the Development Schedule, the cumulative number of Red Light Method Studios set forth on the Development Schedule. During each Development Period, Developer shall exercise options by entering into Franchise Agreements with Franchisor pursuant to this Agreement for the number of Studios described under the Development Schedule and have such number of Studios open for business. Developer shall at all times after the expiration of each of the Development Periods continuously maintain in operation pursuant to each Franchise Agreement at least the number of Studios set forth on the Development Schedule, provided however that such obligation does not apply to Studios that are transferred in accordance with the provisions of the Franchise Agreement, or are closed due to force majeure.

(b) Developer shall exercise each option granted herein only as follows:

(i) By giving Franchisor written notice of Developer's intention to exercise such option at least thirty (30) days before the execution of the Franchise Agreement for the applicable business; and

(ii) By executing the then-current form of the Franchise Agreement for the applicable Studio and complying with its terms, including, without limitation, the payment of the unpaid balance of the applicable Initial Franchise Fee.

(c) Franchisor shall execute the Franchise Agreement only if (i) Developer is in compliance with all requirements and obligations of this Agreement and all other agreements between Franchisor and Developer, and (ii) Developer is in strict compliance with all of Developer's respective obligations under each Franchise Agreement, including, without limitation, its financial obligations and obligation to operate each Studio in compliance with the System. In order to meet the Development Schedule, the Franchise Agreement must be executed by Developer/Franchisee and Franchisor, and the Studio to be operated under such Franchise Agreement must be open for business within the applicable Development Period. Developer must comply with all of the terms and conditions of each Franchise Agreement.

V. TERM

Unless sooner terminated in accordance with the terms of this Agreement, the term of this Agreement and all rights granted hereunder to Developer shall expire on the date of Franchisor's acceptance and execution of a Franchise Agreement for the last Studio to be established pursuant to the Development Schedule attached hereto.

VI. DEVELOPER'S DUTIES

Developer shall perform the following obligations:

(a) Developer shall comply with all terms and conditions set forth in this Agreement.

(b) Developer shall comply with all of the terms and conditions of each Franchise Agreement, including, without limitation, the operating requirements specified in each Franchise Agreement. However, Developer will not be required to attend the initial franchisee training conducted by Franchisor in connection with the second or any subsequent Studio.

(c) At Franchisor's option, at any time during this Agreement, Franchisor may require Developer to engage a district manager to oversee the development and operation of Developer's Studio. Such district manager shall be in addition to, not in lieu of, the managers responsible for the day-to-day operations of the Studio, as required under the Franchise Agreements.

(d) Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and Developer shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. All of Developer's employees or agents who must have access to such information or materials shall be required to execute nondisclosure agreements in the form acceptable to Franchisor. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

(e) Developer shall comply with all requirements of federal, state and local laws, rules and regulations.

(f) Developer shall return to Franchisor all manuals and other confidential information that Developer received from Franchisor in the course of operating the Studio when Developer leaves the System.

VII. PROPRIETARY MARKS/CONFIDENTIALITY

Notwithstanding any provision to the contrary under this Agreement, it is understood and agreed that this Agreement does not grant Developer any right to use the Marks or to use any of Franchisor's confidential information. Further, it is understood and agreed that this Agreement does not grant Developer, and Developer does not have any right to, any copyright or patent which Franchisor or Licensor now owns or may hereinafter own. Rights to the Marks, confidential information, or copyrights are granted only under the Franchise Agreements to be executed by Franchisor and Developer/Franchisee.

VIII. DEFAULT AND TERMINATION

(a) The options granted to Developer in this Agreement have been granted in reliance on Developer's representations and warranties, and strictly on the conditions set forth in this Agreement, including, without limitation, the condition that Developer strictly complies with the Development Schedule.

(b) Developer shall be deemed in default under this Agreement, and all rights granted herein to Developer shall automatically terminate without notice: (i) if Developer is adjudicated bankrupt, becomes insolvent, commits any affirmative action of insolvency or files any action or petition of insolvency, or if a receiver (permanent or temporary) of Developer's property or any part thereof is appointed by a court of competent authority or if Developer makes a general assignment for the benefit of Developer's creditors; (ii) if a final judgment remains unsatisfied of record for thirty (30) days or longer (unless supersedeas bond is filed); (iii) if execution is levied against Developer's business or property, or; (iv) if suit to foreclose any lien or mortgage against Developer's premises or equipment is instituted against Developer and not dismissed within thirty (30) days, or is not in the process of being dismissed; provided, however, that Franchisor reserves the right to be named as trustee or receiver in any voluntary petition for bankruptcy or insolvency filed by Developer.

(c) If Developer fails to exercise options and enter into Franchise Agreements with Franchisor pursuant to this Agreement for Studios within any Options Period, as set forth on the Development Schedule; fails to comply with any other term or condition of this Agreement; makes or attempts to make a transfer or assignment in violation of this Agreement; fails to comply with or meet any operational standards, including, but not limited to, the System Standards and Performance Standards in any individual Franchise Agreement with Franchisor; or fails to comply with the terms and conditions of any individual Franchise Agreement with Franchisor or of any other agreement to which Developer and Franchisor are parties, any such event shall constitute a default under this Agreement. Upon any such default, Franchisor, in Franchisor's discretion, may do any one or more of the following:

(i) Terminate this Agreement and all rights granted hereunder to Developer without affording Developer any opportunity to cure the default effective immediately upon receipt by Developer of written notice from Franchisor;

(ii) Reduce the number of Studios, without refunding any of the Development Fee, which are subject to options granted to Developer pursuant to this Agreement; or

(iii) Exercise any other rights and remedies that Franchisor may have.

(d) Upon termination of this Agreement, all remaining options granted Developer to establish Studios under this Agreement shall automatically be null and void. Developer shall have no right to establish or operate any Studio for which a Franchise Agreement has not been executed by Franchisor. Notwithstanding the above, the terms and conditions of each Franchise Agreement must be complied with by Developer thereunder and shall control in determining whether any default exists under such Franchise Agreement.

(e) No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

(f) If Developer is in substantial compliance with this Agreement and Franchisor materially breaches this Agreement and fails to cure or remedy such breach within thirty (30) days after written notice thereof delivered from Developer, Developer may terminate this Agreement and/or seek relief in equity or at law.

IX. <u>TRANSFERABILITY</u>

(a) Developer acknowledges that Franchisor maintains a staff to manage and operate the franchise system and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owners, directors, officers or employees remaining with Franchisor in that capacity. Franchisor may change Franchisor's ownership or form and/or assign this Agreement and any other agreement to a third party without restriction.

(b) Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer and are granted in reliance upon Developer's personal qualifications. Developer has represented and hereby represents to Franchisor that Developer is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of the developmental or option rights hereunder.

(c) Neither Developer, nor any of Developer's partners (if Developer is a partnership), members (if Developer is a limited liability company) or shareholders (if Developer is a corporation), without Franchisor's prior written consent, by operation of law or otherwise, shall sell, assign, transfer, convey, give away or encumber to any person, firm or corporation, all or any part of Developer's interest in this Agreement or Developer's interest in the rights granted hereby or Developer's interest in any proprietorship, partnership, limited liability company, corporation or other entity which owns any interest in such rights, nor offer, permit or suffer the same to be sold, assigned, transferred, conveyed, given away or encumbered in any way to any person, firm or corporation. Developer may not, without Franchisor's prior written consent, fractionalize any of Developer's rights granted pursuant to this Agreement. Any purported assignment of any of Developer's or any of Developer's partner's, member's or shareholder's rights herein not having the aforesaid consent shall be null and void and shall constitute a material default hereunder. Any assignment or transfer may only be made if the proposed assignees or transferees: (i) are of good moral character and have sufficient business experience, aptitude and financial resources, (ii) otherwise meet Franchisor's then applicable standards for developers, (iii) are willing to assume all of Developer's obligations hereunder and to execute and be bound by all provisions of Franchisor's then-current form of the Area Development Agreement for a term equal to the remaining term hereof; and (iv) willing to assume all of Developer's obligations under each and every Franchise Agreement Developer entered with Franchisor. As a condition to granting Franchisor's approval of any such assignment or transfer, Franchisor may require Developer or the assignee or transferee to pay to Franchisor, Franchisor's then-current assignment fee to defray expenses incurred by Franchisor in connection with the assignment or transfer, legal and accounting fees, credit and other investigation charges and evaluation of the assignee or transferee and the terms of the assignment or transfer. Franchisor shall have the right to require Developer and Developer's owners to execute a general release of Franchisor and Franchisor's owners, directors, officers, successors and assigns, in form and content satisfactory to Franchisor as a condition to Franchisor's approval of the assignment of this Agreement or ownership of Developer.

(d) This Agreement may be assigned to a partnership, limited liability company or corporation which conducts no business other than the business contemplated hereunder and the operation of the Studio, which is actively managed by Developer and in which Developer owns and controls, and continues to own throughout the term of this Agreement, not less than fifty-one percent (51%) of the general partnership interest, limited liability company interest or the corporate equity and voting power, provided that all partners, members or shareholders shall execute an assignment agreement in a form approved by Franchisor undertaking to be bound jointly and severally by all provisions of this Agreement and all issued and outstanding stock certificates of such corporation or other evidence of ownership interest in a partnership or limited liability company shall bear a legend reflecting or referring to the restrictions of this Agreement as designated by Franchisor.

(e) If Developer or Developer's owners shall at any time determine to sell the rights under this Agreement or any of Developer's respective ownership interests in Developer or any of Developer's assets (except in the ordinary course of business), Developer or Developer's owners shall obtain a bona fide, executed written offer from a responsible and fully disclosed purchaser and shall submit an exact copy of such offer to Franchisor, which shall, for a period of fifteen (15) days from the date of delivery of such offer, have the right, exercisable by written notice to Developer or Developer's owners, to purchase such rights under this Agreement or such ownership interests for the price and on the terms and conditions contained in such offer, provided that Franchisor may substitute cash for any form of payment proposed in such offer and that Franchisor shall have not less than sixty (60) days to prepare for closing. If Franchisor does not exercise this right of first refusal, Developer or Developer's owners, as applicable, may complete the sale of such interest in this Agreement or such ownership interest, subject to Franchisor's approval of the purchaser as provided in this Section IX, provided that if such sale is not completed within ninety (90) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal provided herein.

(f) Developer must give Franchisor ninety (90) days' written notice prior to any sale or assignment of a full or partial interest in Developer by Developer or any of Developer's owners. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure laws. Developer agrees to indemnify and hold Franchisor harmless for Developer's failure to comply with this Subsection.

(g) Developer must, within fifteen (15) days of receipt of an offer to buy, give Franchisor written notice whenever Developer or any of Developer's owners have received an offer to buy Developer's or such owner's interest in this Agreement or an interest in Developer itself or any options pursuant to this Agreement. Developer must also give Franchisor written notice simultaneously with an offer to sell any interest in this Agreement or an interest in Developer or any options pursuant to this Agreement, made by, for or on behalf of Developer or any of Developer's owners.

(h) No sale, assignment, transfer, conveyance, encumbrance or gift of any interest in this Agreement or in the options granted thereby, shall relieve Developer and the shareholders, members or partners participating in any transfer, of the obligations of the covenants not to compete with Franchisor contained in this Agreement except where Franchisor shall expressly authorize in writing.

X. COVENANTS

(a) Developer acknowledges that Franchisor has granted Developer the rights under this Agreement in consideration of and reliance upon Developer's agreement to deal exclusively with Franchisor. Developer therefore agrees that, during this Agreement's term, neither Developer, any of Developer's owners, nor any of Developer's or Developer's owners' immediate family members will:

(i) have any direct or indirect interest as an owner, whether of record, beneficially, or otherwise, in a Competitive Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Subsection);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of a Studio to a Competitive Business; or

(iv) engage in any other activity which might injure the goodwill of the Marks and/or the System.

The term "Competitive Business" means any business (other than a Red Light Method Studio) principally offering products and services substantially similar to the products and services then being offered by the Red Light Method Studio.

(b) Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a period of two (2) year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for itself, or through, on behalf of or in conjunction with any person, persons, partnership, limited liability company or corporation, own, maintain, engage in, consult with or have any interest in any Competitive Business within the Designated Territory or within a five (5) mile radius of any other Red Light Method Studio in operation or under construction on the later of the effective date of termination or expiration of this Agreement or on the date on which all persons restricted by this Subsection begin to comply with this Subsection.

(c) Each of the foregoing covenants 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 X 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 covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section X.

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

(e) Franchisor shall have the right to require all of Developer's personnel performing managerial or supervisory functions and all personnel receiving special training from Franchisor to execute similar covenants in a form satisfactory to Franchisor.

(f) In addition to the foregoing covenants, Developer shall be bound by and comply with the covenants contained in each Franchise Agreement executed by Franchisor and Developer.

XI. NOTICES

(a) All notices which the parties hereto may be required or permitted to give under this Agreement shall be in writing and shall be given by any of the following methods: (1) personally delivered; (2) mailed by certified or registered mail, return receipt requested, postage paid; (3) by reliable overnight delivery service; or (4) by electronic transmission, including email and facsimile. "Electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

The addresses for the parties are as follows:

If to Franchisor: Red Light Method Franchising, LLC
1400 SE Walton Blvd, Suite 34
Bentonville, Arkansas 72712
Attn: Allison Beardsley
Email: allison@redlightmethod.com

If to Franchisee:
____
____
____
Email: ________________________

(b) The above addresses given for notices may be changed at any time by either party by giving ten (10) calendar days prior written notice to the other party as herein provided. Notices delivered by certified or registered mail shall be deemed to have been given three (3) business days after postmark by United States Postal Service, or the next business day after deposit with reliable overnight delivery service or when delivered by hand. Notices sent by electronic transmission shall be deemed to have been given on the next business day after being sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email or facsimile has not been delivered.

XII. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

(a) It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Each party to this Agreement is an independent contractor, and neither shall be responsible for the debts or liabilities incurred by the other.

(b) Developer shall hold itself out to the public to be an independent contractor operating pursuant to this Agreement. Developer agrees to take such actions as shall be necessary to that end.

(c) Developer understands and agrees that nothing in this Agreement authorizes 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 and that Franchisor assumes no liability for, nor shall Franchisor be deemed liable by reason of, any act or omission of Developer in Developer's conduct of any Studio or any claim or judgment arising therefrom. Developer shall indemnify and hold Franchisor harmless against any and all such claims directly or indirectly from, as a result of or in connection with Developer's operations hereunder or under any Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

(d) Developer acknowledges that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at Franchisor's sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary standards for any developer based upon the peculiarities of the particular location or circumstance, business potential, population of trade area, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of Developer's business under any Franchise Agreement. Developer shall not be entitled to require Franchisor to disclose or grant to Developer a like or similar variation hereunder to that which may be accorded to any other developer.

XIII. APPROVALS

(a) Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing.

(b) Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Developer in connection with this Agreement or by reason of any neglect, delay or denial of any request therefor.

XIV. NON-WAIVER

No failure by Franchisor to exercise any power reserved to Franchisor in this Agreement or to insist upon compliance by Developer with any obligation or condition in this Agreement, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's rights to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default shall not affect or impair Franchisor's right in respect to any subsequent default of the same or of a different nature, nor shall any delay, forbearance or omission by Franchisor to exercise any power or right arising out of any breach or default by Developer of any of the terms, provisions or covenants of this Agreement, affect or impair Franchisor's rights, nor shall the same constitute a waiver by Franchisor of any rights hereunder or rights to declare any subsequent breach or default.

XV. SEVERABILITY AND CONSTRUCTION

(a) Each provision of this Agreement shall be deemed severable from the others.

(b) Nothing in this Agreement shall confer upon any person or legal entity other than the parties hereto and such of their respective successors and assigns as may be contemplated by Section IX hereof, any rights or remedies under or by reason of this Agreement.

(c) All captions in this Agreement are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

(d) All references herein to gender and number shall be construed to include such other gender and number as the context may require and all acknowledgments, promises, covenants, agreements and obligations herein made or undertaken by Developer shall be deemed jointly and severally undertaken by all the parties hereto which execute this Agreement on Developer's behalf.

(e) This Agreement may be executed in duplicate and each copy so executed shall be deemed an original.

(f) Nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document.

XVI. ENTIRE AGREEMENT

This Agreement constitutes the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersedes all prior agreements. However, nothing contained herein shall be deemed a waiver of any rights Developer may have to rely on information contained in the franchise disclosure document. No amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XVII. SUPERIORITY OF FRANCHISE AGREEMENT

For each Studio developed in the Designated Territory, a separate Franchise Agreement shall be executed and any individual franchise fee as prescribed by Franchisor shall be paid to Franchisor. It is understood and agreed by Developer that any and all Franchise Agreements executed in connection with Studio within the Designated Territory are independent of this Agreement. The continued existence of any such Franchise Agreement shall not depend on the continuing existence of this Agreement. If any conflict shall arise in connection with this Agreement and any Franchise Agreement executed within the Designated Territory, the latter shall have precedence and superiority over the former.

XVIII. ENFORCEMENT

(a) No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(b) Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause Franchisor, the Marks and/or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions (subject to Franchisor's obligation to arbitrate the underlying claim if required by Section XIX). Developer agrees that Franchisor may obtain such injunctive relief in addition to such further or other relief as may be available at law or in equity. Developer agrees that Franchisor will not be required to post a bond to obtain injunctive relief and that Developer's only remedy if an injunction is entered against Developer will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

XIX. DISPUTE RESOLUTION

For the purposes of this Section XIX, "Developer" shall be deemed to include its owners, affiliates and its respective employees, and "Franchisor" shall be deemed to include Franchisor, its parent, and its affiliates.

(a) MEDIATION, MANDATORY BINDING ARBITRATION, AND WAIVER OF COURT TRIAL

Developer and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost effectively and professionally and to return to business as soon as possible. Developer and Franchisor have agreed that the provisions of this Section XIX support these mutual objectives and, therefore, agree as follows:

(1) **Claim Process**. Any litigation, claim, dispute, suit, action, controversy, or proceeding of any type whatsoever, including any claim for equitable relief and/or where Developer is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Developer and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement, ("Claim") will be processed in the following manner, Developer and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below at Section XIX.(4).

(i) First, the Claim will be discussed in a face-to-face meeting held in the county where Franchisor's then-current headquarters is located, within thirty (30) days after either Developer or Franchisor give written notice to the other proposing such a meeting.

(ii) Second, if the Claim is not resolved from the face-to-face meeting, it shall be submitted to non-binding mediation in the county where Franchisor's then-current headquarters is located. Developer and Franchisor will split the costs and each will bear their own expenses of any mediation. Any mediation/arbitration will be conducted by a mediator/arbitrator experienced in franchising. Any party may be represented by counsel and may, with permission of the mediator, bring persons appropriate to the proceeding. If both Developer and Franchisor do not want to participate in mediation, then they shall proceed to arbitration as provided below.

(iii) Third, the Claim shall be submitted to and finally resolved by binding arbitration before a single arbitrator in the county where Franchisor's then-current headquarters is located, and in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor. On election by any party, arbitration and/or any other remedy allowed by this Agreement may proceed forward at the same time as mediation. Judgment on any preliminary or final arbitration award will be final and binding, and may be entered in any court having jurisdiction. Any dispute arising out of or in connection with this arbitration provision, including any question regarding its existence, validity, scope, or termination shall be referred to and finally resolved by arbitration

(2) **Confidentiality**. The parties to any meeting/mediation/arbitration will sign confidentiality agreements, excepting only public disclosures and filings as are required by law.

(3) **Fees and Costs**. The parties will bear their own fees and costs, including attorneys' fees; provided that for matters not settled through agreement of the parties, the arbitrator may assess all, or any portion, of the fees and costs incurred in connection with any arbitration against the party who does not prevail.

(4) **Disputes Not Subject to the Mediation/Arbitration Process**. Claims or disputes relating primarily to (a) the validity of the Marks and/or any intellectual property licensed to Developer, and (b) injunctive relief for health and safety issues and violations, may be subjected to court proceedings, at Franchisor's sole election; provided that only the portion of any claim or dispute relating primarily to the validity of the Marks and/or any intellectual property licensed to Developer and requesting equitable relief shall be subject to court action, and any portion of such claim seeking monetary damages will be subject to the Claim Process outlined above.

(5) **Intentions of Developer and Franchisor**. Developer and Franchisor mutually agree (and have expressly had a meeting of the minds) that, notwithstanding any contrary provisions of state, federal or other law, and/or any statements in Franchisor's Franchise Disclosure Document required by a state or the Federal government as a condition to registration or for some other purpose:

(i) all issues relating to arbitration and/or the enforcement of arbitration-related provisions of this Agreement will be decided by the arbitrator (including all Claims that any terms were procured by fraud or similar means) and governed only by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the federal common law of arbitration and exclusive of state statutes and/or common law;

(ii) all provisions of this Agreement shall be fully enforced, including (but not limited to) those relating to arbitration, waiver of jury trial, limitation of damages, venue, choice of laws, and shortened periods in which to bring Claims;

(iii) Developer and Franchisor intend to rely on federal preemption under the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and, as a result, the provisions of this Agreement will be enforced only according to its terms;

(iv) **Developer and Franchisor each knowingly waive all rights to a court or jury trial** (except as expressly provided in this Agreement), understanding that arbitration may be less formal than a court or jury trial, may use different rules of procedure and evidence and that appeal is generally less available, but still strongly preferring mediation and/or arbitration as provided in this Agreement; and

(v) the terms of this Agreement (including but not limited to this Section XIX) shall control with respect to any matters of choice of law. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document it furnished to Developer.

(b) VENUE

Without in any way limiting or otherwise affecting the obligations of Developer and Franchisor under Section XIX (a) above, Developer and Franchisor agree that any litigation will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located.

(c) TERMS APPLICABLE TO ALL PROCEEDINGS, WAIVER OF TRIAL BY JURY, CERTAIN CLAIMS, AND CLASS ACTION RIGHTS

With respect to any arbitration, litigation or other proceeding of any kind, Developer and Franchisor:

(1) **knowingly waive all rights to trial by jury**; and

(2) **will pursue any proceeding on an individual basis only, and not on a class-wide or multiple plaintiff basis**.

(d) LIMITATIONS ON CLAIMS

Neither party may make claims for emotional distress, whether negligent or intentional, nor punitive damages.

(e) PERIODS IN WHICH TO MAKE CLAIMS

No arbitration, action or suit (whether by way of claim, counter-claim, cross-complaint, raised as an affirmative defense, offset or otherwise) by either Developer or Franchisor will be permitted against the other, whether for damages, rescission, injunctive or any other legal and/or equitable relief, in respect of any alleged breach of this Agreement, or any other Claim of any type, unless such party commences such arbitration proceeding, action or suit before the expiration of the earlier of:

(1) One (1) year after the date on which the state of facts giving rise to the cause of action comes to the attention of, or should reasonably have come to the attention of, such party; or

(2) Eighteen (18) months after the initial occurrence of any act or omission giving rise to the cause of action, whenever discovered.

The above periods may begin to run, and will not be tolled, even though the claiming party was not aware of the legal theories, statutes, regulations, case law or otherwise on which a claim might be based. If any federal, state or provincial law provides for a shorter limitation period than is described in this Section, then such shorter period will govern. The time period for actions for indemnity shall not begin to run until the indemnified party(ies) have been found liable and any time for appeals has run in the underlying action.

(f) SEVERABILITY OF PROVISIONS

Each provision of this Agreement, and any portion of any provision, is severable (including, but not limited to, any provision related to dispute resolution).

(g) CHOICE OF LAWS

Developer and Franchisor agree on the practical business importance of certainty as to the law applicable to their relationship and its possible effect on the development and competitive position of the System. Therefore, Developer and Franchisor also agree that, except with respect to the applicability of the Federal Arbitration Act, 9 U.S.C. § 1 et seq. and the effect of federal pre-emption of state law by such Act, and except to the extent governed by the United States Trademark Act and other federal laws and as otherwise expressly provided in this Agreement, this Agreement and all other matters, including, but not limited to respective rights and obligations, concerning Developer and Franchisor, will be governed by, and construed and enforced in accordance with, the laws of Missouri; except that the provisions of any law of that state regarding franchises (including, without limitation, registration, disclosure, and/or relationship laws) shall **not** apply unless that state's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section XIX.(g). Developer and Franchisor agree that this provision shall be enforced without regard to the laws of Missouri relating to conflicts of laws or choice of law.

XX. "DEVELOPER" DEFINED AND GUARANTY

If two or more persons are at any time parties to this Agreement, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Developer (or a transferee of this Agreement or an ownership interest in Developer), including, without limitation, any person who has a direct or indirect interest in Developer (or a transferee) or this Agreement and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets. References to a "controlling ownership interest" in Developer or one of Developer's owners (if an entity) mean the percent of the voting shares or other voting rights that results from dividing one hundred percent (100%) of the ownership interests by the number of owners. In the case of a proposed transfer of an ownership interest in Developer or one of Developer's owners, the determination of whether a "controlling ownership interest" is involved must be made as of both immediately before and immediately after the proposed transfer to see if a "controlling ownership interest" will be transferred (because of the number of owners before the proposed transfer) or will be deemed to have been transferred (because of the number of owners after the proposed transfer). "Person" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

XXI. ELECTRONIC MAIL

(a) Developer acknowledges and agrees that exchanging information with Franchisor by e-mail is efficient and desirable for day-to-day communications and that Franchisor and Developer may utilize e-mail for such communications. Developer authorizes the transmission of e-mail by Franchisor and Franchisor's employees, vendors, and affiliates ("Official Senders") to Developer during the term of this Agreement. Developer further agrees that: (a) Official Senders are authorized to send e-mails to those of Developer's employees as Developer may occasionally authorize for the purpose of communicating with Franchisor; (b) Developer will cause Developer's officers, directors and employees to give their consent to Official Senders' transmission of e-mails to them; (c) Developer will require such persons not to opt out or otherwise ask to no longer receive e-mails from Official Senders during the time that such person works for or is affiliated with Developer; and (d) Developer will not opt out or otherwise ask to no longer receive e-mails from Official Senders during the term of this Agreement.

(b) This consent given in this Section shall not apply to the provision of notice by either party under this Agreement pursuant to Section XI unless Franchisor and Developer otherwise agree in a written document manually signed by both parties.

XXII. ACKNOWLEDGMENTS

Developer acknowledges:

(a) The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution hereof by Franchisor and Developer. The date of execution by Franchisor shall be considered to be the date of execution of this Agreement.

(b) This Agreement shall not be binding on Franchisor unless and until it has been accepted and signed by an authorized officer of Franchisor.

(c) Franchisee acknowledges and agrees that Franchisor may elect to keep only electronic copies of any and all documents and records pertaining to the franchised business, the System, and the franchise relationship between the parties. Each such electronic record will accurately reflect the information in the document and will remain accessible to all persons entitled by law to access the information for the period of time required by law. The electronic record will be in a form capable of being accurately reproduced for later reference if necessary.

XXIII. NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES

(a) The following provision applies only to franchisees and franchises that are subject to state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

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

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates set forth below to be effective upon execution by Franchisor.

RED LIGHT METHOD FRANCHISING, LLC
a Missouri limited liability company

By:___________________________________

Print Name: ____________________________

Title:___________________________________

EFFECTIVE DATE:_________________________

DEVELOPER

(If Developer is a Corporation, Limited Liability Company, or Partnership):

____
[Name]

By:___________________________________

Print Name: ____________________________

Title:___________________________________

Date:___________________________________

(If Developer is an Individual and not a Legal Entity):

____
[Signature]

____
[Print Name]

Date:___________________________________

____
[Signature]

____
[Print Name]

Date:___________________________________

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DESCRIPTION OF DESIGNATED TERRITORY

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RED LIGHT METHOD FRANCHISING, LLC
a Missouri limited liability company

By:___________________________________

Print Name: ___________________________

Title:__________________________________

Effective Date:__________________________

DEVELOPER

(If Developer is a Corporation, Limited Liability Company, or Partnership):

____
[Entity Name]

By:___________________________________

Print Name: ___________________________

Title:_________________________________

Date:_________________________________

(If Developer is an Individual and not a Legal Entity):

____
[Signature]

____
[Print Name]

____
[Signature]

____
[Print Name]

Date:_________________________________

EXHIBIT B TO AREA DEVELOPMENT AGREEMENT

DEVELOPMENT SCHEDULE

At the dates set forth below, Developer is obligated by Section IV of the Area Development Agreement to have open and in operation the number of Studios as indicated below:

	Date Development Period Commences	Date Development Period Ends	Cumulative Number of Studios to be Open and in Operation
First Studio	____________, 20__	____________, 20__	__________________
Second Studio	____________, 20__	____________, 20__	__________________
Third Studio	____________, 20__	____________, 20__	__________________

FRANCHISOR

RED LIGHT METHOD FRANCHISING, LLC
a Missouri limited liability company

By:________________________________

Title:_______________________________

Effective Date:______________________

DEVELOPER

(**If Developer is a Corporation, Limited Liability Company, or Partnership**):

____
[Entity Name]

By:_____________________________________

Title:___________________________________

Date:___________________________________

(**If Developer is an Individual and not a Legal Entity**):

____
[Signature]

____
[Print Name]

Date:___________________________________

____
[Signature]

____
[Print Name]

Date:___________________________________

EXHIBIT C TO THE AREA DEVELOPMENT AGREEMENT

GUARANTEE, INDEMNIFICATION AND ACKNOWLEDGEMENT

For value received, and in consideration for, and as an inducement to Red Light Method Franchising, LLC, ("Franchisor") to execute the Red Light Method Area Development Agreement (the "Area Development Agreement"), of even date herewith, by and between Franchisor and ____________________________ or his assignee, if a partnership, corporation or limited liability company is later formed ("Developer"), ______________________________ ("Guarantor(s)"), jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns the full and timely performance by Developer of each obligation undertaken by Developer under the terms of the Area Development Agreement, including all of Developer's monetary obligations arising under or by virtue of the Area Development Agreement.

Upon demand by Franchisor, Guarantor(s) will immediately make each payment required of Developer under the Area Development Agreement. Guarantor(s) hereby waives any right to require Franchisor to: (a) proceed against Developer for any payment required under the Area Development Agreement; (b) proceed against or exhaust any security from Developer; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Developer. Without affecting the obligations of Guarantor(s) under this Guarantee, Indemnification and Acknowledgment, Franchisor may, without notice to Guarantor(s), extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust or compromise any claims against Developer.

Guarantor(s) waives notice of amendment of the Area Development Agreement and notice of demand for payment by Developer, and agrees to be bound by any and all such amendments and changes to the Area Development Agreement.

Guarantor(s) hereby agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, without limitation, reasonable attorney's fees, reasonable costs of investigations, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Area Development Agreement, any amendment, or any other agreement executed by Developer referred to therein.

Guarantor(s) hereby acknowledges and agrees to be individually bound by all covenants contained in the Area Development Agreement and all terms and conditions of the Area Development Agreement requiring Developer not to disclose confidential information.

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

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

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

This Guarantee is to be performed in Pineville, Missouri, and shall be governed by and construed in accordance with the laws of the State of Missouri. Guarantor(s) specifically agrees that the state and federal courts situated in Pineville, Missouri shall have exclusive jurisdiction over Guarantor(s) and this Guarantee, and further agrees that any action relating to this Guarantee will be brought in a court of competent jurisdiction in the county where Franchisor's then-current headquarters is located. In connection therewith, each of the undersigned hereby appoints the Secretary of State for the State of Missouri as his/her agent for service of process to receive summons issued by the court in connection with any such litigation. Notwithstanding the foregoing, Franchisor and Guarantor(s) agree that any dispute under this Guarantee shall be resolved by arbitration pursuant to Article 16 of the Area Development Agreement (except as otherwise provided in Article 16 of the Area Development Agreement).

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

GUARANTOR	**GUARANTOR**
By: ________________________________	By: ________________________________
Print Name: __________________________	Print Name: __________________________
SS #: _______________________________	SS #: _______________________________
DOB: _______________________________	DOB: _______________________________
Driver's License No. ____________________	Driver's License No. ____________________

The undersigned, as the spouse of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty.

______________________________________	______________________________________
Name of Guarantor	Name of Guarantor
______________________________________	______________________________________
Name of Guarantor's Spouse	Name of Guarantor's Spouse
______________________________________	______________________________________
Signature of Guarantor's Spouse	Signature of Guarantor's Spouse

Exhibit J
To Franchise Disclosure Document

STATEMENT OF PROSPECTIVE FRANCHISEE

DO NOT COMPLETE AND SIGN THIS STATEMENT IF YOU ARE A RESIDENT OF, OR IF YOUR FRANCHISED BUSINESS IS TO BE OPERATED IN, CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

RED LIGHT METHOD
STATEMENT OF PROSPECTIVE FRANCHISEE

[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting, or by the Prospective Franchisee using an electronic "fill and sign" tool compliant with the ESIGN Act.]

Since the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and Red Light Method, LLC, a Missouri limited liability company, (also called the "Franchisor" or "Red Light Method") both have an interest in making sure that no misunderstandings exist between them, and to verify that no violations of law might have occurred, and understanding that the Franchisor is relying on the statements I/we make in this document, I/we assure the Franchisor as follows:

A. The following dates and information are true and correct:

1. _____________, 20___ **Initials** _____________	The date on which I/we received a Franchise Disclosure Document about a Red Light Method Franchise.
2. _____________, 20___ **Initials** _____________	The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed.
3. _____________, 20___ **Initials** _____________	The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Letter or other Acknowledgment of Receipt.)
4. _____________, 20___ **Initials** _____________	The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company.

B. Representations and Other Matters:

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, "side deals," options, rights-of-first-refusal or otherwise of any type (collectively, the "representations"), including, but not limited to, any which expanded upon or were inconsistent with the Disclosure Document, the Franchise Agreement, or any other written documents, have been made to or with me/us with respect to any matter (including, but not limited to, advertising, marketing, site location and/or development, operational, marketing or administrative assistance, exclusive rights or exclusive or protected territory or otherwise) nor have I/we relied in any way on any such representations, except as expressly set forth in the Franchise Agreement, or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:
____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: ______________________________________

2. No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by Franchisor, its affiliates or agents/representatives, nor have I/we relied in any way on any such, except for information (if any) expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein), except as follows:

Prospective Franchisee's Initials: ___________________________________

3. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including, but not limited to, the Prospective Franchisee obtaining any financing, the Prospective Franchisee's selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or the Prospective Franchisee fully performing any of the Prospective Franchisee's obligations, nor is the Prospective Franchisee relying on the Franchisor or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by the Prospective Franchisee and the Franchisor, except as follows:

____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

Prospective Franchisee's Initials: ___________________________________

4. The individuals signing for the "Prospective Franchisee" constitute all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Uniform Franchise Disclosure Document and all exhibits and carefully read, discussed, understands and agrees to the Franchise Agreement, each written Addendum and any Personal Guarantees.

Prospective Franchisee's Initials: ___________________________________

5. I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and the Franchisor has strongly recommended that I/we obtain such independent professional advice. I/we have also been strongly advised by the Franchisor to discuss my/our proposed purchase of, or investment in, a Red Light Method Franchise with existing Franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing Red Light Method Franchisees.

Prospective Franchisee's Initials: ___________________________________

6. I confirm that, as advised, I've spoken with past and/or existing Red Light Method Franchisees, and that I made the decision as to which, and how many, Red Light Method Franchisees to speak with.

Prospective Franchisee's Initials: ___________________________________

7. I/we understand that: entry into any business venture necessarily involves some unavoidable risk of

loss or failure.

Prospective Franchisee's Initials: ____________________________________

8. I/we understand and agree that the Franchisor does not furnish or endorse, or authorize its salespersons or others to furnish or endorse, any oral, written or other information concerning actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, that such information (if any) not expressly set forth in Item 19 of the Franchisor's Disclosure Document (or an exhibit referred to therein) and I/we agree to report any such unauthorized disclosure to the Franchisor.

Prospective Franchisee's Initials: _________________________________

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will (a) **immediately** inform the Franchisor's attorney (858-793-1094) and an officer of the Franchisor and (b) make a written statement regarding such next to my signature below so that the Franchisor may address and resolve any such issue(s) at this time and before either party goes forward.

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

Date: ___________________________

PROSPECTIVE FRANCHISEE (Individual)	**PROSPECTIVE FRANCHISEE (Corp., LLC or Partnership) [Must be accompanied by appropriate personal guarantee(s)]**
______________________________ Signature	______________________________________ Legal Name of Entity a ______________________________________ State of incorporation, formation, etc.
______________________________ Printed Name	
______________________________ Signature	By: ___________________________________ Signature
______________________________ Printed Name	Printed Name: ___________________________
	Title: _________________________________

Exhibit K
To Franchise Disclosure Document

STATE EFFECTIVE DATES

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Documents be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	March 22, 2024, and as amended
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	June 18, 2024, and as amended
Washington	
Wisconsin	March 14, 2024, and as amended

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

Exhibit L
To Franchise Disclosure Document

RECEIPTS

ITEM 23
RECEIPT

This disclosure document summarizes provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Red Light Method Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Oklahoma require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise agreement, or other agreement, or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise agreement, or other agreement, or the payment of any consideration, whichever comes first.

If Red Light Method Franchising, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to The Federal Trade Commission, Washington D.C. 20580 and the appropriate State Agency identified on Exhibit B.

The franchisor is Red Light Method Franchising, LLC, located at 4696 Little Missouri Road Pineville, Missouri 64856. The name, principal business address, and telephone number of each Franchise Seller offering the Franchise are: Allison Beardsley, 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712/ (775) 737-3322; Eric Tepper, 1648 W. Diversey Pkwy, Unit 1, Chicago, IL 60614/ (773) 263-0963; and Violet Rainwater, 7357 S. Piney Peak, Littleton, CO 80127/ (760) 405-4684.

Issuance Date: March 7, 2024, as amended July 1, 2024. Red Light Method Franchising, LLC authorizes the agents listed in Exhibit B to receive service of process for it.

I have received a disclosure document dated March 7, 2024, as amended July 1, 2024, that included the following Exhibits:

A. FRANCHISE AGREEMENT AND EXHIBITS
B. LIST OF STATE AGENTS FOR SERVICE OF PROCESS AND STATE ADMINISTRATORS
C. FINANCIAL STATEMENTS
D. TABLE OF CONTENTS OF THE OPERATIONS MANUAL
E. GENERAL RELEASE OF ALL CLAIMS
F. STATE-SPECIFIC ADDENDA
G. LIST OF FRANCHISEES AND THEIR OUTLETS
H. LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
I. AREA DEVELOPMENT AGREEMENT
J. STATEMENT OF PROSPECTIVE FRANCHISEE
K. STATE EFFECTIVE DATES
L. RECEIPTS

Print Name:___________________________ Signature: ___________________________

Date: ___________________________

Keep this copy for your records.

ITEM 23
RECEIPT

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H. LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT
I. AREA DEVELOPMENT AGREEMENT
J. STATEMENT OF PROSPECTIVE FRANCHISEE
K. STATE EFFECTIVE DATES
L. RECEIPTS

Print Name:___________________________ Signature: ___________________________

Date: ___________________________

Please sign this copy of the receipt, date your signature, and return it to:
Red Light Method Franchising, LLC located at 1400 SE Walton Blvd, Suite 34, Bentonville, AR 72712.