

## DISCLOSURE DOCUMENT



®

B3 Franchising LLC  
an Oregon limited liability company  
25 N Shaver Street  
Portland, Oregon 97227  
Telephone: (503) 542-2044  
Websites: [www.barre3.com](http://www.barre3.com)  
[www.barre3franchise.com](http://www.barre3franchise.com)  
[www.facebook.com/barre3company](http://www.facebook.com/barre3company)  
[www.instagram.com/barre3](http://www.instagram.com/barre3)  
Email: [harper.kalin@barre3.com](mailto:harper.kalin@barre3.com)

B3 Franchising LLC franchises the right to operate “barre3®” exercise service businesses providing specialized exercise classes using a ballet barre and other equipment in combination with ballet, Pilates and yoga techniques, and the sale of related services and products.

The total investment necessary to begin operation of a new barre3® studio franchised business ranges from \$338,793 to \$652,324. This includes \$47,750 to \$56,900 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to convert an existing exercise studio business into a franchised business and re-brand as a barre3® studio ranges from \$45,600 to \$159,665. This includes \$2,135 to \$52,515 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rachel Intile at 25 N. Shaver Street, Portland, Oregon 97227, and [rachel.intile@barre3.com](mailto:rachel.intile@barre3.com).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising like “*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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Circle, N.W., Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 11, 2023, as amended August 17, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only barre3 business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be barre3 franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## WHAT YOU NEED TO KNOW ABOUT FRANCHISING *GENERALLY*

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

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

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

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

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

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

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

## SOME STATES REQUIRE REGISTRATION

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

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

## SPECIAL RISKS TO CONSIDER ABOUT *THIS* FRANCHISE

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and arbitration only in Portland, Oregon. Out-of-state mediation or arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or arbitrate with the franchisor in Oregon than in your own state.
2. **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.
3. **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.
4. **Mandatory Minimum Payments.** You must make minimum royalty payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

## TABLE OF CONTENTS

<u>ITEM</u>	<u>Page</u>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	1
ITEM 2 BUSINESS EXPERIENCE .....	3
ITEM 3 LITIGATION.....	5
ITEM 4 BANKRUPTCY .....	5
ITEM 5 INITIAL FEES .....	5
ITEM 6 OTHER FEES.....	6
ITEM 7 ESTIMATED INITIAL INVESTMENT.....	14
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	20
ITEM 9 FRANCHISEE’S OBLIGATIONS .....	24
ITEM 10 FINANCING .....	26
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEM AND TRAINING.....	26
ITEM 12 TERRITORY .....	36
ITEM 13 TRADEMARKS .....	38
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	40
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	41
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	42
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....	43
ITEM 18 PUBLIC FIGURES.....	48
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....	48
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION .....	54
ITEM 21 FINANCIAL STATEMENTS.....	63
ITEM 22 CONTRACTS.....	64
ITEM 23 RECEIPTS.....	64

### **EXHIBITS:**

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement, including the following attachments: <ul style="list-style-type: none"><li>A. Description of Search Area</li><li>B. Description of Authorized Territory</li><li>C. Guaranty and Assumption of Franchisee’s Obligations</li><li>D. Statement of Franchisee</li><li>E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages</li><li>F. Nondisclosure and Noncompetition Agreement</li><li>G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement</li><li>H. Addendum Only for Franchisees Who Obtain SBA Financing</li><li>I. Addenda for Transfers (Resales) and Renewals</li><li>J. Lease Rider</li><li>K. Addendum for Conversion and Re-Branding</li></ul>
Exhibit C	Financial Statements
Exhibit D	Manual Table of Contents
Exhibit E	List of Franchisees, Licensees and Former Franchisees
Exhibit F	State Specific Addenda to Franchise Disclosure Document and to Franchise Agreement
Exhibit G	Sample Release of Claims
Exhibit H	Acknowledgment of Receipt of Completed Agreements
Exhibit I	State Effective Dates
Exhibit J	Receipts

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

To simplify the language in this disclosure document, “B3,” “us” or “we” means B3 Franchising LLC, the franchisor. “You” means the person who buys a studio franchise, and includes your owners if you are a business entity.

The Franchisor and its Parents and Affiliates

B3 is an Oregon limited liability company that was formed on April 12, 2010. B3’s principal business address is 25 N. Shaver Street, Portland, Oregon 97227 and telephone: (503) 542-2044. B3’s immediate parent company is B3 Studios LLC, an Oregon limited liability company (“B3 Studios”), and B3 Studios’ parent company is B3 Domain LLC, an Oregon limited liability company. We do business under our corporate name and no other name. We have offered franchises for barre3® exercise studios (“studios”) since August 2010.

Although we have not operated an exercise business, our parent B3 Studios has operated studios since 2008 and currently owns and operates two studios in Oregon. Additionally, our affiliate B3 PDX LLC, an Oregon limited liability company (“B3 PDX”), operates three studios in Oregon, and our affiliate B3 NYC Holdings LLC, a New York limited liability company, operates one studio in New York. We and our affiliates do not engage in any other business activities or offer franchises in any other line of business.

Our affiliate B3 Retail, LLC, an Oregon limited liability company, sells certain devices and equipment to our franchisees, including but not limited to exercise balls, mats, bands, straps and sliders used by our franchisees’ clients in classes (“props”), and certain branded and non-branded studio products and supplies, as well as other retail products. B3 Retail also sells online merchandise and accessories such as apparel, books and yoga mats, that may be similar to those you may be required to sell through your studio.

Our parent companies, B3 Studios and B3 Domain LLC, and our affiliate B3 Retail all have the same principal business address as ours: 25 N. Shaver Street, Portland, Oregon 97227. B3 Studios owns and has licensed to us, the right to license certain trademarks used in connection with our proprietary business system. B3 Studios also sells subscriptions to access barre3® workout content on the Internet, which may be similar to those classes you are required to offer through your studio. Prior to the time B3 Franchising LLC was formed, B3 Studios licensed certain trademarks owned by B3 Studios to two licensees in the United States that operate similar exercise businesses, however B3 Studios has not offered franchises in any line of business. Our agents for service of process are disclosed in Exhibit A.

The Barre Code Franchisor, LLC, an Illinois limited liability company (“Barre Code”), is the franchisor of THE BARRE CODE® franchise system. On or about August 14, 2023, we entered into a Franchise Agreement Acquisition and Transition Agreement with Barre Code pursuant to which we acquired all of Barre Code’s rights, title, and interest in most franchise agreements of THE BARRE CODE® system. These franchisees operating under THE BARRE CODE® system franchise agreements (“TBC franchisees”) will be re-branded as B3 franchisees.

The Franchise

We offer the right to develop and operate exercise studios from a fixed store location that provide specialized exercise classes using proprietary techniques that combine the use of a ballet barre with other equipment and ballet, Pilates and yoga movements and offer for sale authorized products. You must locate

your studio within the territory that we designate. You must begin operations from the studio within 365 days after the effective date of your franchise agreement.

We may in certain circumstances offer an existing exercise studio business the right to convert the business to a franchise and re-brand as a barre3® studio. TBC franchisees will be offered the opportunity to sign our franchise agreement with certain modifications as described in this disclosure document and Attachment K to the franchise agreement.

Each studio operates according to our proprietary business systems and processes, the characteristics of which include: (a) requirements, standards and specifications for providing exercise classes and other services, and products for sale; (b) standards and specifications for equipment, furniture, fixtures, interior and exterior design, décor and color schemes, and the general layout of a studio; (c) sales techniques; (d) merchandising and inventory management systems; (e) branding standards and requirements, (f) promotion, marketing and advertising methodologies and requirements, as well as (g) our other unique and valuable know-how, techniques, information, methods, standards and specifications, sources, designs, trade secrets, confidential manual, confidential electronic and other communications, methods of Internet (defined below) usage, marketing programs, technology programs, supplier programs, and research and development (the “System”). We may modify our System at any time.

Our System is identified by and includes our methods of using certain trademarks, which includes trade names, services marks, trademarks, logos, emblems, trade dress, and indicia of origin, including the “barre3®” mark and any other trademarks, we may now or in the future designate in writing for use in connection with our System.

You must operate your studio according to our standard business operating practices and our System. You must sign our standard form barre3® franchise agreement. The franchise agreement grants you the right to develop and operate a single studio from within a single authorized territory. If you wish to develop more than one studio, you must enter into a separate franchise agreement for each studio you will develop. We may add, modify or delete any exercise classes, other services, or products that you must offer or sell at your studio at any time.

### Market and Competition

The market for retail fitness is developed, but the use of a ballet barre may be growing as part of an exercise program. New exercise/concept growth is affected by general economic conditions, tight credit markets, restrictive business lending conditions, unemployment levels which may affect the extent of discretionary spending by consumers, and the presence of competition. There may be unforeseen changes in the economy or our industry. You will compete directly with local and national franchises and other businesses that offer exercise services and products such as health clubs, as well as ballet, yoga or Pilates studios. The exercise industry is changing and evolving. Studios are generally not seasonal businesses, although there may be local seasonal variations and variations related to COVID-19 related closures.

### Industry-Specific Regulations

You will be required to comply with all applicable laws, including licensure and certification requirements. This also includes labor and employment laws and regulations; and you must notify your employees in writing that you are their employer, and that we are not their employer or joint employer. In addition to laws and regulations that apply to businesses generally, you may be subject to health club, fitness instructor, and child care (if you choose to provide child care services) regulations in your state, city or county. These regulations may include registration and bonding requirements and may require training to use and maintain safety equipment such as automated external defibrillators. Some states require training and certification in cardio pulmonary resuscitation (CPR). The laws vary from jurisdiction to jurisdiction.



It is your responsibility to apprise yourself of and to comply with all applicable laws at your expense. For liability purposes, you must clarify in training and on a continual basis with your staff and in marketing to your customers that your employees are employed by or doing business with you and not with us.

There may be other state and other governmental regulations that apply specifically to the fitness center industry. For example, federal FDA regulations require certain disclosures must be made for weight loss programs, medical claims made to sell nutritional products, and certain health warnings must be given. In addition, state laws in many states require that health club or fitness center contracts have specific financial disclosures to customers, require limitations on advance membership fees, limit other contract terms, have bonding requirements and other consumer protections.

For example:

Maryland: Maryland Health Club Services Act (“Act”) requires every business that sells health club services in Maryland to register with the Consumer Protection Division. The Act also requires that health clubs that sell health club services agreements must purchase a bond. The bond must be in an amount sufficient to protect the members’ fees or deposits up to \$200,000 per facility. In addition, every club that has a pre-opening sale must post at least \$50,000 before it can sell any memberships, regardless of how much money the club later collects. When the club’s sales exceed \$50,000, the pre-opening bond must be increased to match the dollar amount of memberships sold. A health club services agreement is made whenever a facility collects more than three months’ payment in advance for its services, or charges an initiation fee greater than \$200.

California: Civil Code Sections 1812.80 to 1812.95 limit the maximum term of a fitness center contract to three years and the amount that can be paid under the contract to \$4,400, as well as other consumer protection provisions including cancellation rights and triple damages for violations. California Civil Code Sections 1694.5 to 1694.9 require disclosures and cancellation rights for weight loss contracts.

You should discuss the applicable regulations that apply in your community with your attorney. The maximum amounts that may be paid in advance may be lower in some states than in others, and bonding and other requirements vary as well.

You must also comply with all local, state and federal laws that apply to your operations and to public accommodations generally. Those laws include health, sanitation, smoking, civil rights and non-discrimination, Equal Employment Opportunity Commission (“EEOC”), Occupational Safety and Health Administration (“OSHA”), Federal Trade Administration (“FDA”) – advertising, Food and Drug Administration (“FDA”), employment and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people in certain businesses open to the public, and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, parking, drinking facilities, etc. You must also obtain real estate permits and licenses and operational licenses. Land use and zoning requirements might also apply to your facility. You should consult with your attorney concerning these and other local laws and ordinances that may affect your center operations.

## **ITEM 2 BUSINESS EXPERIENCE**

Co-Founder: Chris Lincoln

Mr. Lincoln has served as Co-Founder (and previously Co-Manager and Co-Managing Member) of B3 since its initial organization on April 12, 2010 in Portland, Oregon. He is also co-founder and an

owner of our parent B3 Studios, in Portland, Oregon, and has served in that role since January 2008 and continues to do so.

Co-Manager: Sadie Lincoln

Mrs. Lincoln has served as Co-Manager (and previously Co-Managing Member) of B3 since its initial organization on April 12, 2010 in Portland, Oregon. She is also co-founder and an owner of our parent B3 Studios, LLC, in Portland, Oregon, and has served in that role since January 2008 and continues to do so.

Vice President of Operations: Harper Kalin

Ms. Kalin has served as B3's Vice President of Operations since September 2018 in Portland, Oregon. Between January 2017 and September 2018, Ms. Kalin served as B3's Director of Instructor Training. Ms. Kalin served as an Instructor Franchise Trainer (formerly, "Instructor Master Trainer") for B3 from June 2013 to December 2016. Since March 2012 Ms. Kalin has also served as a barre3® class instructor for B3 Studios in Portland, Oregon.

Chief Financial Officer: Michael Vlietstra

Mr. Vlietstra has served as B3's Chief Financial Officer in Portland, Oregon since April 2020. From November 2015 to April 2020, he was a Principal of NextLevel in Portland, Oregon, and from November 2014 to April 2020, he was the Owner of MV Financial Consulting in Camas, Washington.

Director of Franchise Operations: Stephanie Rubenstein

Ms. Rubenstein has served as the Director of Franchise Operations since 2018, and prior to this role, she was the Franchise Account Manager since September 2017, both in Portland, Oregon. Ms. Rubenstein served as B3's Assistant Operations Manager of Portland studios from April 2012 to August 2017. From June 2009 to October 2018, Ms. Rubenstein also served as a barre3® class instructor for B3 Studios in Portland, Oregon.

Director of Instructor Training: Sara Catherine Holder

Ms. Holder has served as B3's Director of Instructor Training since October 2018 and is based in Nashville, TN. She served as Franchise Trainer (formerly, "Franchise Master Trainer") for B3 from February 2016 to October 2018. From January 2014 to February 2017 Ms. Holder worked as an Instructor Mentor and Studio Manager in Nashville, Tennessee for Music City Fit, LLC. Since August 2013, Ms. Holder has also served as barre3 class Instructor, Front Desk Associate and Child Care associate in both Portland, Oregon and Nashville, Tennessee for our affiliates B3 PDX and B3 Studios as well as Music City Fit, LLC.

Director of New Studio Development: Jess Zadok

Ms. Zadok has served as B3's Director of New Studio Development since June 2022 in Portland, Oregon. From December 2018 to May 2022, Ms. Zadok was the Owner of Jess Zadok, LLC, and operated her own Pilates and Rehabilitation training facility in Los Angeles, California, and also provided business Consulting services to boutique fitness studios across the United States. From June 2015 to December 2019, she worked for Xponential's leading brand, Club Pilates, as their Senior Operations Manager, Training and Development in Los Angeles, California. Ms. Zadok has been a certified Pilates instructor since 2010.

Franchise Sales Manager: Rachel Intile

Ms. Intile has served as our Franchise Sales Manager since October 2022 in Portland, Oregon. She worked for B3 as a Senior Customer Support Manager from June 2020 to October 2022, and as a Lead Customer Support Agent from November 2018 to June 2020, both in Portland, Oregon. Prior joining B3, Ms. Intile worked as an Assistant Store Manager for lululemon from June 2016 to November 2018 in Portland, Oregon.

Franchise Marketing Manager: Kaitlin Bitting

Ms. Bitting has served as B3's Franchise Marketing Manager since March 2023 in Portland, Oregon. Ms. Bitting has also been an Instructor and Mentor since August 2019 and Studio Manager since January 2020 for Greyfin Fitness LLC dba barre3 Cherry Hill in Cherry Hill, New Jersey. From September 2018 to March 2023, she was the Owner of KB Copy LLC in Philadelphia, Pennsylvania and Haddonfield, New Jersey. From December 2018 to February 2020, she was contracted with Campbell Soup Company in Brand Communications in Camden, New Jersey. From March 2018 to September 2018, she was Vice President, Corporate Communications with Cashman & Associates in Philadelphia, Pennsylvania.

**ITEM 3  
LITIGATION**

Concluded Action:

On May 27, 2010, the Securities Division of the Department of Financial Institutions of the State of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist (Order Number S-10-122-10-SC01), against B3 Studios, LLC d/b/a/ barre3®, for violation of the provisions of the statutes relating to registration, RCW 19.100.020, and delivery of an offering circular/disclosure document, RCW 19.100.080. The Securities Division and B3 Studios, LLC entered into a Consent Order (Order Number S-10-122-10-CO01) in settlement of the Statement of Charges, in which B3 Studios, LLC agreed to cease and desist from offering or selling franchises in violation of RCW 19.100.020 and RCW 19.100.080 and reimbursed the State of Washington \$700 (*In the Matter of Determining Whether there has been a violation of the Franchise Investment Protection Act Washington by B3 Studios, LLC d/b/a barre3*).

Other than the action noted above, no litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Franchise Fee

You must pay us a lump sum of \$50,000 by wire transfer for a standard studio franchise at the time you sign the franchise agreement as an initial franchise fee.

An existing exercise studio business that re-brands as a barre3® franchised business will pay an initial franchise fee ranging from \$0 to \$50,000 when the franchise agreement is signed. Former TBC franchisees will not pay an initial franchise fee.

The range of initial franchise fees paid during the fiscal year ended December 31, 2022 was \$25,000 to \$50,000.

If you or an entity you control choose to develop more than one territory, you must enter into a separate franchise agreement and pay us a separate discounted initial franchise fee for each such additional territory. In deciding control for purposes of determining whether an entity qualifies for the reduced franchise fee, we look to see whether a majority ownership of the entity are existing franchisees. The discounted initial franchise fee as of the issuance date of this disclosure document is \$41,250.

### Branded Opening Props

You will pay for Branded Opening Props, including but not limited to exercise balls, bands, straps and sliders (“Props”). The fee for the Opening Props purchased from B3 Retail ranges from \$1,500 to \$1,900 for new studios, and from \$2,135 to \$2,515 for re-branded studios, depending on the studio capacity and size plus taxes and delivery charges. You will pay B3 Retail this Opening Prop fee after you have developed the location for your franchised studio, but before you begin operation of the franchised studio. You will also purchase additional Props from third party vendors as described in Item 7.

### Grand Opening Fee

New studio franchisees must pay us a fee of \$5,000 when signing the franchise agreement for the minimum grand opening marketing obligation. We will use this \$5,000 to pay for a digital marketing and advertising campaign prior to and shortly after you open.

Other than the payments described above, you do not pay anything to us, or our affiliates, for products or services we or our affiliates provide to you before your studio opens. All initial fees are deemed to be fully earned and non-refundable upon payment to us.

## **ITEM 6 OTHER FEES**

### **FEES FOR STUDIOS**

Type Of Fee (1)	Amount	Due Date	Remarks
Royalty Fee (2)	If you commence operations before your studio opens, 6% of Gross Revenues. The greater of 6% of Gross Revenues or \$850 per month after studio opening.	Monthly on the 10th day of the month, or another period as we may determine, via electronic funds transfer.	
Discounted Initial Franchise Fee	As of the issuance date of this disclosure document, the discounted initial franchise fee is \$41,250.	Upon the execution of a franchise agreement for an additional studio franchise.	Payable only if you purchase additional studio franchises.

Type Of Fee (1)	Amount	Due Date	Remarks
Marketing Fund Fee (3)	2% of Gross Revenues. Former TBC franchisees will pay a reduced fee of 1% for first 12 months after signing a barre3® franchise agreement.	Monthly on the 10th day of the month, or another period as we may determine, via electronic funds transfer.	
Advertising Cooperative Contributions	Established by advertising cooperative members, but not more than a total of 1% of Gross Revenue.	No Advertising Cooperative Contributions are in effect as of the date of this disclosure document. If established, the due date would be determined by advertising cooperative members.	See Item 11 for information regarding advertising cooperatives. Outlets owned by us or our affiliates will contribute on the same basis and have the same vote per location as franchisees. We do not have controlling voting power of any advertising cooperative.
Late Fees and Interest	\$100 plus interest on late amounts at 12%, not to exceed the maximum rate of interest allowable under law.	As incurred.	Late fees and interest begin to accrue the day after payment becomes past due.
Renewal Fee (4)	25% of the then-current initial franchise fee.	Upon submission of request to renew.	
Audit Fee	Cost of audit. Cost may range from \$1,000 - \$5,000.	As incurred.	Payable to B3 only if you understate your Gross Revenues by 2% or more.
Indemnification	Amount of claim or judgment.	As incurred.	You must reimburse us for and defend us against claims brought against and taxes imposed on us due to your operations.
Transfer Application Fee and Transfer Fee (5)	The transfer application fee is \$1500 and the transfer fee is 50% of the then-current initial franchise fee; plus if we are involved in helping you sell your studio a sales commission equal to 25% of the then-current initial franchise fee in states where it is permitted.	The transfer application fee is due upon submission of the application to transfer your studio to a third party. The transfer fee is due upon approval of the transfer.	The transfer application fee is nonrefundable. You may only transfer subject to the satisfaction of certain conditions and with our prior written consent. See Note 5.

Type Of Fee (1)	Amount	Due Date	Remarks
B3 Online Subscription Revenue Share Fee	A percentage or flat rate fee based on the B3 Online subscription product sold, as determined by us.	We offer a subscription service to view exercise video and other content online via a platform called "B3 Online." If you sell subscriptions to B3 Online, payment will be due in the same manner as the royalty fee.	The sale of B3 Online subscriptions to the clients of your franchised location.
Product or Supplier Review Fee	\$200 for inspection and evaluation or testing, for each new product or supplier, plus actual costs of tests.	At time of request.	Payable only if you request that we review a new supplier or product for use or sale in your studio.
Cost of Enforcement or Defense	All mystery shopping costs, audit and accounting fees, our employees' travel costs, court costs, and attorneys' fees.	Upon settlement or conclusion of claim or action.	You must reimburse us if we incur any expenses in enforcing our rights against you under the franchise agreement.
Special Visit Fee (6)	\$300 - \$750 per day, plus travel and living expenses. The estimated range of travel and living expenses are \$1,000 - \$3,000.	As incurred.	We provide ongoing assistance as we deem reasonable regarding the operations and marketing of your studio. Additional on-site assistance is available at your expense upon your request.
Additional or Repeat New Instructor Training Fee (7)	Additional, Repeat, or New Instructor Training is \$400 - \$800 per person. You are responsible for all travel and living expenses while taking training. The estimated range of travel and living expenses are \$1,000 - \$3,000 per person, unless offered virtually.	The new instructor training fee is due 15 days before the training program begins and will be auto-withdrawn from your account; however, we may choose to require that you pay the new instructor training fee upon registration by credit card.	Payable to B3 and third parties.

Type Of Fee (1)	Amount	Due Date	Remarks
Optional Instructor Mentor Training Fee, When Available (8)	The optional instructor mentor training fee is \$400 - \$600 per person. You are responsible for all travel and living expenses, unless this training is offered virtually. The estimated range of travel and living expenses are \$1,000 - \$3,000.	The optional instructor mentor training fee is due 15 days before the training program begins and will be auto-withdrawn from your account; however, we may choose to require that you pay the instructor mentor training fee upon registration by credit card.	Payable to B3. Instructor mentor training for your first instructor mentor is included in the initial franchise fee. You are required to ensure your instructor mentor is complying with our operational standards. Training materials for additional and repeat instructor mentor training are available with no associated cost in our learning management system. If you wish for your Instructor Mentor to attend additional or repeat in-person instructor mentor training, and we agree to offer it, you will pay this training fee. We may discontinue instructor mentor training, or change the fees at any time.
Additional or Repeat Operator Training Fee (9)	Additional or Repeat Operator Training Fee is \$4,000 per person. You are responsible for all travel and living expenses while taking training, unless this training is offered virtually. The estimated range of travel and living expenses are \$1,000 - \$3,000 per person.	Due 15 days before the operator training program begins and will be auto-withdrawn from your account.	The operating training program for one or two persons is required and included in your initial franchise fee. Your designated and approved owner must always be trained and on staff. You will pay us this operator training fee any time you have a new designated and approved owner, or we require any person from your studio to retake the operator training program. Fees for the operator training program may increase in the future.

Type Of Fee (1)	Amount	Due Date	Remarks
Mandatory Meetings, Conventions, or Programs	You must pay registration fees of between \$500 to \$1,500. You must also pay your travel expenses as well as the expenses that your employees incur in attending these events, unless the event is offered virtually. The cost for travel ranges from \$1,000 - \$3,000 per person. If you, or anyone required to attend, does not attend a mandatory meeting, convention, or any other required event, you must pay us a non-attendance fee of \$1,000 per person, regardless of cause for non-attendance.	As incurred.	We have a required annual Summit convention, and may in the future conduct other periodic meetings that you must attend.
Return Check Fee (10)	\$100 per returned check.	At the time the check is returned.	We may require you to pay all subsequent orders by certified funds or electronic funds transfer.
Insurance Costs (11)	Will vary based on number of employees, location and circumstances.	As incurred. Paid to the insurance provider.	We may modify insurance requirements periodically in our confidential manual.
Studio Upgrades (12)	Up to \$50,000.	As incurred.	We may require you to upgrade, update or replace fixtures, equipment, or other tangible property of the studio to comply with our standards.
Music License Fee (13)	Prorated portion of negotiated system-wide bill for music license services. Fees are currently \$629, but are subject to increase.	Annually.	Fees are paid to B3 which then pays the vendors.



Type Of Fee (1)	Amount	Due Date	Remarks
Music License Administration Fee	Will vary based on a percentage of your monthly bill.	We do not currently charge a Music License Administration Fee, but reserve the right to do so in the future.	We negotiate and administer music licensing agreements with two of the music licensing agencies you are required to use in the operation of your studio. We may change the vendor for music licensing at any time in our discretion. We may charge a fee for this administration.
Printing Fee	Will vary based on products and quantities printed. The range of estimated fees is \$1,000 - \$3,000 per year.	As incurred	You must order printed materials for your studio from our supplier. You pay our supplier directly for these printed products.
Software License Fee	Currently \$308 per month, but subject to increase	As incurred	You pay this fee directly to the vendor.
Cost to De-Identify the Studio	Costs and expenses associated with ceasing operations or changing the business to a dissimilar and non-competing business, and de-identifying the studio and yourself with our business system.	Upon expiration or termination of the franchise agreement.	Upon termination, expiration, non-renewal, or transfer of the franchise agreement for any reason, you must pay your own costs and expenses associated with ceasing operations and de-identifying your franchised location and yourself with the studio and our business system.
Management Fee	The then-current fee we publish in our confidential manual, which currently is \$500 per day. Additionally, you must reimburse us for reasonable and actual overhead expenses.	Payable at the same time as the royalty fee.	Payable only if we elect to manage the studio after a death, permanent incapacity that results in a change in control, or during a cure period after a default of the franchise agreement.

Notes:

- (1) You pay all fees to us, or our affiliate, unless otherwise noted. We may also collect fees for third-party service and product providers. Fees paid to us, or our affiliate, or third parties are nonrefundable under any circumstances once paid. Unless otherwise noted, all fees are uniformly applied. We may change the manner and timing for paying the royalty fee and other fees due to us. We require you to pay the royalty fee and all other fees and amounts due to us via electronic

funds transfer or other similar means. You must comply with our procedures and perform all acts and deliver and execute all documents necessary for authorization of electronic funds transfer (in the form attached to the franchise agreement or any other form that we may require). When paying from a foreign bank account all payments are due in U.S. dollars via wire transfer.

- (2) Royalty Fee. Royalties are based on “Gross Revenues.” “Gross Revenues” means the gross revenue from all sales of exercise classes, products, and other services, and products at and through your studio, whether for cash or credit, which includes any assumed gross revenue calculated for the purpose of an insurance claim for lost profits to the extent a claim is paid by the insurer, but excludes: (1) all sales or service taxes collected from customers and paid or payable to the appropriate taxing authority; and, (2) customer refunds and credits made by the studio which are issued pursuant to B3’s standard policies and specifications (exclusions will not include any fees incurred by you in collecting any funds). If you begin operations after you complete the new instructor training program and become a certified barre3® instructor, but before your studio opens, you must pay us a royalty fee of 6% of your Gross Revenues. Upon the opening of your studio and at all times afterwards, you must pay us a royalty fee of 6% of your Gross Revenues, or \$850 per month, whichever amount is greater.

The royalty fee is presently due on the 10th day of each month. If you have not timely reported your studio’s Gross Revenues for any reporting period, then we are authorized, at our option, to debit your account for (a) the fees transferred from your account for the last reporting period for which a report of the studio’s Gross Revenues was provided to us or (b) the amount due based on information retrieved from our approved Computer Systems (defined below). You must submit a Gross Revenue report in the form and manner we designate.

- (3) Marketing Fund Fee. B3 currently has a marketing fund. You will pay 2% of your Gross Revenues per month as a non-refundable marketing fund fee. These funds will be used to generate general brand awareness and promotion for our franchise system, for administrative costs associated with our marketing efforts, and to maintain and update our website. Former TBC franchisees will pay a reduced fee of 1% for the first 12 months after signing a franchise agreement, and will pay the standard marketing fund fee thereafter.
- (4) Renewal Fee. You must pay us the renewal fee of 25% of the then-current initial franchise fee upon signing your renewal franchise agreement. In order to renew, you must sign our then-current form of franchise agreement which may contain materially different terms, meet our renewal standards and qualifications, and be approved by us. There are other conditions you must satisfy in order to renew.
- (5) Transfer Application Fee; Transfer Fee. The transfer fee is 50% of the then-current initial franchise fee. You must pay us a nonrefundable \$1500 transfer application fee at the time you submit an application to transfer your studio to a third party. If the transfer is approved, the transfer application fee will be applied to the transfer fee. No transfer fee is required if an owner of a franchisee transfers his or her interest in a franchisee entity to another owner who is a 50% or more owner, and who is already the designated owner approved by us as your manager, and who remains the majority owner of the franchisee entity. There is also no transfer fee if the transferee is a new legal entity of which the existing franchisee is the sole owner and if the designated and approved owner does not change. If we are involved in helping you sell your studio, we also charge you a sales commission equal to 25% of the then-current initial franchise fee in addition to the transfer fee.

- (6) Special Visit Fee. We will provide you with continuing consultation and advice as we deem necessary and appropriate regarding the management and operation of your studio. We will provide ongoing assistance, in our discretion, by telephone, facsimile, email or intranet communication at no additional cost. If you request or we require that you obtain additional on-site assistance you must pay us a fee. The cost for onsite assistance ranges from \$300 - \$750 a day depending on your needs, plus our travel and living expenses.
- (7) Additional or Repeat New Instructor Training Fees. We do not charge a separate fee for the first new instructor training program for your instructor mentor and up to five (5) instructor trainees which may include you (or your designated and approved owner). You must pay our then-current fee for the new instructor training program if you wish to have additional persons attend the new instructor training program at any time during the term of the franchise agreement. You must also pay our then-current fee for the new instructor training program if we require any employee to retake the new instructor training program if (i) any such person does not complete the new instructor training program to our satisfaction or is not meeting our business system compliance requirements, (ii) we develop new content, techniques, sequencing or other fitness programs, (iii) your full time approved instructor mentor's employment ends or such person is unable to perform the duties of the role due to a physical limitation or otherwise and you hire a new employee to fulfill the instructor mentor role, or (iv) otherwise as we determine, at your expense. The fees for the new instructor training program are currently \$400 - \$600 per person. You will also be responsible for all travel and living expenses for all persons attending this program like airfare, lodging, meals, ground transportation, and personal expenses. If you live close to our headquarters office or near a location where we may conduct a regional training course, or if we offer this training virtually, you may not incur travel and living expenses or these expenses may be less than estimated.
- (8) Optional Instructor Mentor Training. The first instructor mentor training program for one person is required and included in your initial franchise fee. You must ensure that your instructor mentor complies with our operational standards. Free training materials are available in our learning management system, in the event you hire a new instructor mentor or your instructor mentor is not in compliance with our operational standards. In the event you wish for your instructor mentor to the instructor mentor training program and we agree to provide it, you must pay the then-current training fee. The fees for the instructor mentor training program are currently \$400 - \$600 per person. You will also be responsible for all travel and living expenses for each person attending this program like airfare, lodging, meals, ground transportation, and personal expenses. If you live close to our headquarters office or near a location where we may conduct a regional training course, or if we offer this program virtually, you may not incur travel and living expenses, or these expenses may be less than estimated.
- (9) Additional or Repeat Operator Training Fee. The first operator training program for one or two persons is required and is included in your initial franchise fee. Thereafter, you must pay this fee any time you have a new designated and approved owner, or operations manager to whom you delegate the day-to-day operations of the studio. We may require any person from your studio to retake the operator training program. You will also be responsible for all travel expenses for all persons attending the operator training program including airfare, lodging, meals, ground transportation and personal expenses. If you live close to our headquarters office or near a location where we may conduct a regional training course, or if we offer this program virtually, you may not incur travel and living expenses, or these expenses may be less than estimated. The fees for the operator training program may increase in the future.

- (10) Return Check Fee. We will collect all ongoing payments from you via electronic funds transfer. In the event of a returned check or insufficient funds from your electronic funds transfer account, you must pay a fee of \$100 per occurrence.
- (11) Insurance Costs. You must procure and maintain, at your own expense, insurance policies protecting you, us, our designated affiliates and these parties' shareholders, officers, directors, employees and agents against any loss, liability, personal injury, death, property damage, data security breach (cyber insurance), employment claims (EPLI), or expense resulting from the operation of your studio and all services you provide in connection with the operation of your studio as we may require for your and our protection in amounts set forth in our confidential manual and franchise agreement (which we may adjust from time to time). You must also procure and maintain all other insurance required by state or federal law, such as worker's compensation insurance and unemployment insurance. If you fail to purchase insurance as required in our confidential manual, we have the right to purchase it on your behalf and to charge you an administrative fee of up to 18% of the cost of buying the insurance for you.
- (12) Studio Upgrades. We may at any time require you to upgrade, update or replace the studio fixtures, equipment, and other tangible property of the studio in accordance with our standards to conform to the standards for similarly situated new studios. The maximum cumulative amount that you will be required to spend upgrading, updating or replacing property at the studio during the first ten years of the first term of the franchise is \$50,000. This amount does not include any required expenditures for Computer Systems, for improvements necessary to offer any required new classes, other services, or products, for upgrades that you make voluntarily, for normal maintenance and refreshing of the studio whenever necessary, or for compliance with upgrade requirements at the time of any transfer or renewal.
- (13) Music License Fee. You must play certain music and playlists in the classes and programs offered through your studio and at all times in the lobby area of your studio, as directed or approved by us. You are required to pay a license fee for the use of this music to two different licensing agencies. We have negotiated group rates with these licensing agencies. For these agencies, you will pay us and we will administer payment to the agencies on your behalf. You may be required to enter into a license agreement directly with a third and/or fourth licensing agency and pay them directly if you play music at your studio that is licensed by such agency. We may change the vendor for music licensing at any time in our discretion. If we do so, the fees for music licensing may change. We currently do not charge a fee for the administration of the license fee payments, but reserve the right to do so in the future.

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**New barre3® Studios**

Type of Expenditure (1)	Amount Low	Amount High	Method Of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$41,250	\$50,000	Lump Sum	Upon signing the franchise agreement	Us

<b>Type of Expenditure (1)</b>	<b>Amount Low</b>	<b>Amount High</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Financing Fees (3)	\$0	\$10,900	As Agreed	Before Opening	Third Parties
Insurance (4)	\$2,250	\$3,800	As Agreed	As Incurred	Insurance providers
Travel and Room and Board While Attending the Operator Training Program and Instructor Training Program (5)	\$1,000	\$10,000	As Agreed	During Training	Airlines, hotels, restaurants, car rentals and other third parties
Lease, Utility and Security Deposit (6)	\$4,533	\$13,874	As Agreed	As Incurred	Lessor, utility providers and contactors
Professional Services(7)	\$1,000	\$5,600	As Agreed	As Incurred	Attorneys, bookkeeper, accounting services
Site Selection (8)	\$5,000	\$5,000	Lump Sum	Before Opening	Our approved site selection vendor
Construction Management (Architects, Designers, Construction Managers) (9)	\$38,000	\$45,000	As agreed		Our approved studio design and construction management vendor
Additional Engineers (10)	\$0	\$5,500	As agreed	Before Opening, if necessary	Third parties
Leasehold Improvements (11)	\$180,960	\$395,000	As Incurred	Before Opening	Contractors and other third parties
Equipment (13)	\$12,300	\$14,900	As Incurred	As Incurred	Suppliers
Software (14)	\$500	\$750	As Incurred	Before Opening	Suppliers
Branded Opening Props (15)	\$1,500	\$1,900	EFT Debit	As Incurred	Us or our affiliates
Additional Props and Retail Items/Apparel (16)	\$5,500	\$7,100	As Incurred	As Incurred	Third parties

Type of Expenditure (1)	Amount Low	Amount High	Method Of Payment	When Due	To Whom Payment is to be Made
Pre-Opening and Grand Opening Advertising (17)	\$15,000	\$20,000	Lump Sum	\$5,000 to us at the same time as the Initial Franchise Fee. The remaining amount (at least \$10,000) to third party vendors.	Us and third parties and Suppliers
Optional Pre-Opening Services (18)	\$0	\$5,000	As Incurred	If you elect to begin offering classes after satisfactory completion of New Instructor Training.	Third parties.
Additional funds for the initial period (the first 3 months of your studio operations) (19)	\$30,000	\$58,000	As Incurred	Employee wages, rent, utilities, as incurred	Employees, Suppliers and Utilities
TOTAL (21)	\$338,793	\$652,324			

#### Re-Branded Studios

Type of Expenditure (1)	Amount Low	Amount High	Method Of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (2)	\$0	\$50,000			TBC franchisees will not pay an initial franchise fee
Insurance (4)	\$2,250	\$3,800	As Agreed	As Incurred	Insurance providers
Travel and Room and Board While Attending the Operator Training Program and Instructor Training Program (5)	\$0	\$10,000	As Agreed	During Training	Airlines, hotels, restaurants, car rentals and other third parties

Type of Expenditure (1)	Amount Low	Amount High	Method Of Payment	When Due	To Whom Payment is to be Made
Professional Services(7)	\$1,000	\$5,600	As Agreed	As Incurred	Attorneys, bookkeeper, accounting services
Re-Branding Alterations (12)	\$7,715	\$25,000	As Incurred	As Incurred	Suppliers
Software (14)	\$500	\$750	As Incurred	As Incurred	Suppliers
Branded Opening Props (15)	\$2,135	\$2,515	EFT Debit	As Incurred	Us or our affiliates
Additional Props and Retail Items/Apparel (16)	\$2,000	\$4,000	As Incurred	As Incurred	Third parties
Additional funds for the initial period (the first 3 months of your studio operations) (19)	\$30,000	\$58,000	As Incurred	Employee wages, rent, utilities, as incurred	Employees, Suppliers and Utilities
TOTAL (20) (21)	\$45,600	\$159,665			

Notes:

- (1) Expenditures. The amounts provided in this Item 7 include costs you will incur to start your business. These estimates are based on our experience franchising studio businesses. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The low and high ranges in the table are based on an average size studio premises, and do not include optional upgrades to equipment or facility design. The estimates provided in this Item 7 assume that you will rent your franchised location from a third party landlord. It does not include costs associated with the acquisition of real estate if you decide to operate from a building you purchase. The costs for rent, fixtures and improvements will vary based on the square footage, location, economic climate, market conditions, prevailing interest rates and other financing costs, the conditions of the property and other physical characteristics of your franchised location.
- (2) Initial Franchise Fee. The initial franchise fee for your first studio is \$50,000. We will discount our then-current initial franchise fee for any additional studios you purchase after your initial studio franchise. The discounted initial franchise fee is currently \$41,250. The initial franchise fee is due when you sign the related franchise agreement and is nonrefundable once paid. Former TBC franchisees will not pay the initial franchise fee when signing the franchise agreement to re-brand as a barre3® franchisee.

- (3) Financing Fees. Neither we, nor our affiliates, offer any financing for your initial investment. Financing fees include amounts that may be payable for items like closing costs and SBA loans, financial broker fees and contingency accounts required by the SBA and interim interest. The figures provided are just an estimate and the actual fees may vary depending on your creditworthiness and the financial markets generally.
- (4) Insurance. The range of insurance costs provided in the table above estimates six months of insurance payments as it is assumed you will purchase insurance between nine and twelve months after signing your franchise agreement and that you will be making monthly payment installments from this time through the first three months of your studio operations. The cost for insurance will vary depending on where you are located, the type of property you lease, the number of employees you have, and other factors. The types of insurance included in the range of costs consist of property, general liability, workers compensation, cyber liability, and employment practices liability. You may wish to purchase insurance over the limits we require or additional types of coverage. The cost for higher limits and additional types of coverage are not included in the range provided in the table.
- (5) Travel and Living Expenses while Attending Training Programs. Included in your initial franchise fee, we provide (i) an operator training program for you (or your designated and approved owner), and your approved operations manager (if applicable) and (ii) an instructor training program for you (or your designated and approved owner) and up to five of your employees. Portions of these training programs are required to be attended in person unless offered virtually. Unless offered virtually, in person training will take place in the Portland, Oregon area, or at another location designated by us. You must pay for airfare, lodging, ground transportation, salaries and benefits, and any other personal expenses attendees might incur while taking the training programs in accordance with the laws in your jurisdiction.
- (6) Deposits. If you do not own adequate space from which to operate your studio, you must lease space for your studio. The typical size of a studio is approximately 1,400 to 2,000 square feet. Most studios will be located in a retail shopping center or on a street with high visibility, moderate pedestrian traffic and easy parking or public transportation. Generally, you will be required to pay first and last month's rent, plus a security deposit, at the time you sign the lease.
- (7) Professional Services. This estimate includes the cost related to professional (i) legal services you will need for the review of this disclosure document and its Exhibits, as well as entity formation and lease negotiation, and (ii) bookkeeping and accounting services in the initial set up and planning of your business.
- (8) Site Selection. You must engage our required site selection service provider to assist you in the procurement of your franchised location. Our service provider will introduce you to a commercial real estate broker with whom you must work to identify the site for your franchised location. Our service provider will review the business terms of a letter of intent and/or lease for the franchised location space and provide you with guidance on the same. Our service provider is not an attorney and will not provide you with any legal assistance in the review or negotiation of a letter of intent or lease. We strongly encourage you to retain counsel with expertise in commercial real estate leasing to provide you with such assistance. You will pay our service provider a flat fee of \$5,000 per location for which our service provider reviews a letter of intent and/or lease on your behalf. In most cases, the terms and conditions of all agreements relating to the lease and alteration of your franchised location will be negotiated solely by you; however, we require you and your landlord to sign our standard form lease rider which incorporates certain provisions into your lease.



- (9) Construction Management (Architects, Designers, Construction Managers). This estimate includes the cost for our construction management service provider which you are required to engage at the time you are presented with a letter of intent or lease for your studio space. Our vendor provides architectural, design, basic engineering and construction management services for the development of your franchised location including plans, drawings, design specifications, permits and zoning approvals, as well as oversight of your general contractor during the construction phase.
- (10) Additional Engineering. This estimate includes the cost for structural, acoustical and other specialized engineering services that are outside of the scope of those included in the services provided by our construction management service provider. These services may or may not be needed depending on the location and characteristics of your franchised location.
- (11) Leasehold Improvements. You will need to alter the interior space to meet our then-current specifications, before you open your studio. This figure includes estimates related to demolition, concrete repair, insulation, doors and hardware, partition walls, acoustical ceilings, flooring, painting, installation of fixtures, cabinets, plumbing, HVAC, electrical, fire alarm, security system, decorating, signage and similar costs for a facility up to 2,000 sq. ft.. The cost to alter your interior space will vary depending on the size of your studio and whether you elect to do a simplified or premium build out. We may designate mandatory contractors or suppliers for any build out service or product at any time. Some landlords will pay some or all of your tenant improvements as part of your lease negotiations. We recommend that you lease existing space, and do not recommend that you buy or build your premises, and this estimate does not include construction of the premises from the ground up. The estimated cost range for these leasehold improvements is \$180,960 to \$395,000. These figures do not include any amounts to purchase a barre3 business as a going concern.
- (12) Re-Branding Alterations. When you re-brand as a B3 studio, you will need to alter the interior and exterior of your space to meet our then-current specifications. This figure includes estimates related to decorating, signage, and similar costs.
- (13) Equipment. This figure includes all the equipment necessary to begin operations of the studio as specified in our confidential manual like the cost of all office equipment, Computer Systems, related supplies, a sound system, furniture and fixtures. You are required to purchase a telephone system, copier/printer/fax/scan machine, Computer Systems, headsets, amplifier, mixer, speakers and wireless microphone system, as specified in our confidential manual. The amount of required equipment will depend on the size of the studio and anticipated sales volume. We may change the selection of equipment and supplies you must provide at any time.
- (14) Software. We have the right to specify one or more approved Computer Systems vendors, including software vendors, for the management operations of your studio. You must also obtain high-speed access to the internet. You must provide us with electronic access to all information in the software systems in real time.
- (15) Branded Opening Props. Branded Opening Props are purchased from B3 Retail and include exercise balls, bands, straps and sliders. We have the right to change the selection of props at any time. The fee range depends on the studio capacity and size plus taxes and delivery charges. You will pay for Branded Opening Props after you have developed the location for your franchised studio, but before you begin operation of the studio.

- (16) Additional Props and Retail Items/Apparel. You must purchase additional Props and opening retail inventory from our approved suppliers. This will include Props for use in classes taught at your studio, as well as B3-branded and non-branded inventory products such as fitness apparel, accessories, towels, books, mats, and other products for sale at your studio. We have the right to change the selection of opening inventory at any time.
- (17) Grand Opening Advertising. You must spend a minimum of \$15,000 on your grand opening. You must pay \$5,000 of this amount to us when you sign your franchise agreement. We will use this \$5,000 to pay for promotion of your studio, which may include digital advertising such as a social media ad campaign prior to and shortly after you open. The balance of \$10,000 will be paid to third party vendors directly, and you must provide receipted documentation to us for these expenditures.
- (18) Optional Pre-Opening Services. You may elect to begin operations by offering barre3® classes outdoors or in third party spaces after you become a certified barre3® instructor and before your studio opens. If you choose to do this, you must pay for access to studio management software, a music licensing fee and a royalty fee of 6% of Gross Revenues. You may also incur operational expenses such as instructor payroll and space rental fees. The amount disclosed in the above chart assumes that you may begin operations three months before your studio opens. If you begin operations before or after this time, you may incur additional or lesser pre-opening operation fees.
- (19) Additional Funds. Additional funds include additional operating expenses after the date you first begin operations during the first 3 months of operations. This amount includes estimated operating expenses during this time, including payroll costs (but not a draw or salary for the managing owner or for other owners of the franchisee), less any revenue generated by your studio. We recommend you have at least an additional 3 months of additional funds. Your costs depend on many unpredictable factors, including how well you follow our methods and procedures; your management skills, experience and business acumen; local economic conditions; the local market; the prevailing wage rate; and competition. You should develop your own business plan with your own business advisors.
- (20) Total Estimated Initial Investment. The above chart does not include any sales, use, or similar taxes that may be assessed by state or local authorities. You should check with your local and state governmental agencies for any taxes that may be assessed. All figures in Item 7 are estimates only and are based on our affiliate's experiences and our experience opening and franchising studios. We cannot guarantee that you will not have additional expenses or other categories of expenses to start the studio.

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

You must establish and operate your studio in compliance with your franchise agreement and the System, standards and specifications contained in any B3 confidential manual provided to you by us during the term of your franchise agreement. Our confidential manual may consist of one or more manuals, and includes technical bulletins, other written materials or directives communicated by us. We expect that changes to technology, laws and markets will result in changes that we will make to our standards and specifications, and to our System. We may change any standard or specification within 30 days' prior written notice to you. Our confidential manual and related updates are currently communicated in an electronic format and may be communicated in any format of our choosing.

We have or may develop standards and specifications for your equipment, supplies, forms, products, exercise classes, advertising materials, Internet marketing, and most other services and products used in, sold or provided through your studio. In addition, we also have standards and specifications for

the design and construction of your franchised location that include furniture and fixtures. In order to maintain our standards of consistent, high quality products, customer recognition, advertising support, value and uniformity in studios, you must purchase or lease all of your required fixtures, equipment, supplies, and products used in or sold through your studio, per our specifications and standards, only from us, our approved suppliers and distributors, or from suppliers that you select that are approved by us as provided below. In certain instances, we also may designate a required single source for some of these items and in the future, we may become this single source.

You will manage your own operations and employees, including hiring, firing, managing, discipline, and other employment practices. You are solely responsible for monitoring and enforcing our business System standards within your business, including all communications with your employees and agents. All of your agreements, HR forms and communications with your employees must identify you, and not us, as their employer. If we provide you forms or practices, you are solely responsible for ensuring that your forms and practices comply with local laws or other laws applicable to your business. Any changes made by you to our business system must be pre-approved by us in writing, and will generally only be approved to the extent necessary to comply with applicable law. You must notify your employees in writing that you are their employer and that we are not their employer or joint employer, and must provide us with a signed acknowledgment of this in a form that we approve from each of your employees before that employee starts to work for you.

#### Approved Products and Services

You may only offer the exercise classes, products, and other services that are pre-approved by us through your studio. We will provide you with a list of approved exercise class packages, products, and other services when you sign a franchise agreement. All approved exercise classes, products, and other services must meet our standards and specifications, which we will provide directly to you or to our designated or approved vendors. In order to better assure the supply and quality of the approved exercise classes, products, and other services, and to enable us to take advantage of marketplace efficiencies as we see fit, you must purchase or lease all of your required fixtures, equipment, inventory, supplies, merchandise and marketing materials used in or sold through your studio only from us or our approved suppliers and distributors in accordance with our specifications and standards. This includes the Branded Opening Props, other Props, and your ongoing supply of Props and branded and non-branded retail products.

In certain instances, we have designated a single source for these items that you must use. These required vendors are listed in our Operations Manual. We, and our affiliates, may derive revenue from designated suppliers. We, and our affiliates, also may be the sole approved or designated supplier of any product or service used in the operation of your studio. For any exercise classes, products, or other services that we or our affiliates sell, you must pay the then-current price in effect. Chris Lincoln and Sadie Lincoln are officers of B3 and also own an interest in B3 Retail, which is a required supplier of certain products and services like apparel and Props. We and B3 Retail are currently the only approved suppliers of the Props and branded apparel. There are currently no other affiliates that are the only approved supplier of any required products or services.

B3 Studios currently sells subscriptions to access barre3® workout content on the Internet; and B3 Retail currently sells Props, accessories, yoga mats, and apparel on the Internet at prices it determines. Currently, neither we nor our affiliates share revenue from the sale of these products with franchisees. In the future, B3 Studios may offer franchisees the option to sell subscriptions to barre3® online workout content. If it implements this program, franchisees will buy subscriptions at a wholesale rate and resell the subscriptions to its clients. As used in the disclosure document, the term "Internet" means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-

accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use our trademarks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

You must participate in any mandatory promotional or incentive program we require, including gift card and loyalty card programs.

### Supplier Approval

If you want to purchase or lease any fixtures, inventory, products, equipment, supplies, items or services not previously authorized by us or from a supplier not previously authorized by us, you must first notify us and obtain written approval. Each request must be in writing and contain the name, manufacturer and supplier of the product or service, along with its specifications, cost, warranty or guaranty information, uses, photographs, drawings, samples and other information. You must submit a \$200 application fee. The supplier may be required to demonstrate that it has the ability to supply the item or service and to show a B3 representative its production facility. The supplier must maintain insurance coverage required by B3 and name both you and B3 as additional insureds with the right to notice before modification or cancellation of coverage. If the item will bear B3's trademark, the supplier must sign a license agreement with B3 Studios that may include a royalty payment to B3 Studios or us.

Our criteria for approval of a particular supplier or product will be made available upon written request. We will consider the uniformity, efficiency quality and other aspects of the product or supplier. We will also evaluate if the product or supplier comports with B3's standards and specifications and our ability to earn revenue from the purchase of the product, or use of the supplier by franchisees. We may negotiate purchase arrangements with suppliers for the benefit of franchisees, but have no obligation to do so. We will use our reasonable best efforts to review your request and respond in writing within 30 days from the date we receive all requested information. If B3 fails to provide approval within the 30-day term, the supplier or product will be deemed disapproved. If a product or service is accepted, we will include it in our product or supplier list and make it available to all of our franchisees. We are not required to approve any particular product or supplier and, if we do not authorize a product, service or supplier, you are prohibited from offering or using it in your studio. We may take whatever action we deem necessary to prevent you from selling unauthorized products or services or using unauthorized suppliers such as seeking injunctive relief or terminating your franchise agreement. We may also notify you that the approval of a supplier, product or service is revoked at any time during the term and may designate a single source supplier for any product or service you are required to use in relation to your studio.

### Computer, Software and Website

You must acquire and use specified computer systems (with capabilities to run our required point of sale and other specified software), mobile smart devices, smart processors in hardware including point of sale devices which are PCI compliant, software and related hardware, and systems to access the Internet (collectively, the "Computer Systems"), all from our approved suppliers. The software license includes technical support. We have the right to specify one or more approved Computer Systems vendors, including software vendors. You must also use our supplier of payment-processing equipment and services for the processing of all payments, including without limitation credit cards and checks.

We operate and maintain a website for B3, B3 merchandise and the B3 franchise system. You may not develop or operate a website or other Internet site, including any social media account, related to your studio or use B3's marks on the Internet without our prior written approval. The content and layout of any Internet site, including any webpage, membership page or social media account must comply with B3's

specifications. In some instances we may create social media accounts for your use. We own these accounts and give you administrative rights to operate them in compliance with our requirements.

We have access to and own all of the data stored in these Computer Systems. You must update and maintain these Computer Systems as we specify, without limitation.

### Music

You must play certain music and playlists in the classes and programs offered through your studio and at all times in the lobby area of your studio, as directed or approved by us. Music is licensed by third party music licensing agencies. You are required to pay a license fee for the use of this music. We have negotiated group rates with two of these licensing agencies. For these two agencies, you will pay us the music-licensing fee and we will administer payment to the agencies on your behalf. Use of music in social media or on demand is not covered by these licenses and any such use is at your option and fees and costs for such use are your separate responsibility. We may change music licensors at any time. You must enter into a license agreement directly with other music licensing agencies if necessary, and pay them directly. We currently do not charge a fee for the administration of the license fee payments, but reserve the right to do so in the future. You may also be required to purchase a subscription for a music streaming software service that manages music and playlists. You are required to furnish your studio with a laptop or workstation to manage and play your music playlist.

### Insurance

You must obtain the insurance coverage required by the franchise agreement and our confidential manual from a carrier with a rating of at least A-. The required coverage currently includes comprehensive general liability, in the minimum amounts of \$2,000,000 per occurrence and \$3,000,000 in the aggregate; Cyber in the minimum amount of \$1,000,000 per occurrence; business interruption; automobile; unemployment and workers compensation, with limits as required by law; employment practices (EPLI) including unfair labor practices, joint employer, sexual harassment, abuse and molestation in the minimum amount of \$100,000 per occurrence; data breach, privacy breach, and cybercrime; premises liability including coverage required by the terms of any lease or lender; bodily injury and all-risk property damage; professional liability, products, and completed operations; personal and advertising liability; and such other limits and coverage as B3 may periodically require. The required coverage is subject to change. Your insurance policy must name us, and our affiliate, agents, members, officers, directors, shareholders, and all other parties as additional insureds and contain waivers of subrogation naming B3 as the first payee of any claim.

### Childcare

You may offer childcare services as an incidental service provided by your studio. Our confidential manual will provide standards for build out, design and operational procedures for a childcare room at your studio. Depending on the requirements of your state, you may be need to obtain additional permits, licenses and follow other specifications in order to provide childcare services. If you provide childcare services, each employee that performs such services will be required to be bonded and CPR certified. B3 is not responsible for advising you about these additional requirements.

### Franchise Location

You must lease a facility from which to operate the studio. We must approve your franchised location before you execute any lease or purchase documents. We condition our lease approval on, among other requirements, the execution of our standard form lease rider by you and your landlord. We require you to use the services of our approved vendors for real estate site selection, general contractor selection

and management, the physical and audio design of your franchised location, purchase of ballet barres and brackets, acoustic panels, and interior and exterior signage.

Advertising

You must follow our guidelines and requirements when generating your own advertising materials. If you violate our guidelines or requirements, you will be required to cease use of them or take them down. You must order all print advertising and marketing materials through a printing portal operated by our approved printing vendor. You must also pay us to provide a digital marketing and advertising campaign prior to and shortly after you open, as part of your grand opening marketing.

Required Purchases and Leases

We estimate that the purchase or lease of these items from us or our designated or approved sources, or those meeting our standards and specifications, will be approximately 60% - 80% of your total cost to establish a studio. We, and our affiliate, may earn revenue from your purchases. We estimate that the required purchases or leases described in this item will constitute approximately 70% - 90% of all purchases you will incur to operate the studio.

We may negotiate other purchase arrangements with suppliers and distributors of approved products and supplies, and we may receive rebates or payments on your purchases of those items. We also may derive revenue from your purchases of items from us, or our affiliate. Currently we or our affiliate B3 Retail sell you retail inventory and Props and charge a markup in doing so. There are no restrictions on our use of payments received from approved or designated suppliers on account of their transactions with you or on payments that we or our affiliate receives from their transactions with you.

During the fiscal year ending December 31, 2022, we received revenues in the amount of \$337,888 from the sale or lease of products and services to franchisees, which represented approximately 11.82% of our total revenues of \$2,857,669. The \$337,888 figure does not take into account the cost of goods sold or other operating expenses that we incur in obtaining and providing specific products and services to franchisees. During the fiscal year ending December 31, 2022, our affiliate B3 Retail LLC received revenue in the amount of \$711,144 from the sale or lease of products and services to our franchisees. During the fiscal year ending December 31, 2022, we and our affiliates did not receive any payments from third party suppliers related to franchisee purchases.

We do not have any purchasing or distribution co-operatives as of the issuance date of this disclosure document. We do not provide material benefits, like renewing or granting additional franchises to franchisees based on their use of designated or approved suppliers.

**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

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

Obligations	Section In Agreement	Item In Disclosure Document
a. Site selection and acquisition/lease	§§ 1.1, 2.1, 3.1, 7.1(a)	11, 12
b. Pre-opening purchases/leases	§§ 7.1(a), 7.2, 8	7, 8, 11, 16

<b>Obligations</b>	<b>Section In Agreement</b>	<b>Item In Disclosure Document</b>
c. Site development and other pre-opening requirements	§§ 3.1, 7.1, 7.2, 8, 11.1	6, 7, 8, 11, 12
d. Initial and ongoing training	§§ 2.1(e), 4.2, 6.2(e-g), 6.3(b), 7.1(e), 7.2, 7.4(a), 14.5(j-k)	6, 7, 11
e. Opening	§§ 7, 11	7, 11, 16
f. Fees	§§ 1.3, 2.1(g), 4, 5.8, 5.10, 6.2(e-g), 6.3(b), 6.3(d), 6.3(e), 6.3(g), 7.2, 7.4(a), 7.7, 8.3, 10.5, 11, 14.4, 14.5(c), 14.9, 19.12	5, 6, 7, 11
g. Compliance with standards and policies/Operating Manual	§§ 1.2, 2, 5.1, 5.2, 6.2(f), 7, 8, 9, 10, 11, 16.1, 16.2	8, 11, 16
h. Trademarks and proprietary information	§§ 1.1, 3.4, 7.4(q), 9, 13, 15.5, 16.7(c)	13, 14
i. Restrictions on products/services offered	§§ 1.4, 3.4(e), 7, 8, 16.1(j)-(k)	8, 13, 14
j. Warranty and customer service requirements	§§ 7.3, 7.4(m), 21	None
k. Territorial development and sales quotas	§§ 1.1, 7.1, 7.4	12
l. Ongoing product/service purchases	§§ 6.1, 6.3(d), 7.4(d), 7.4(o), 7.12, 7.13, 8, 16.3(d)	8, 16
m. Maintenance, appearance and remodeling requirements	§§ 2.1(e), 6.2(c), 6.2(h), 7.1, 7.4(d), 7.4(g), 7.4(h), 7.7, 7.8, 8, 14.5(l), 16.3(c), 16.9, 17.2	11
n. Insurance	§§ 7.2, 11.1, 16.1(n)	7, 8
o. Advertising	§§ 3.4(e), 7.4(d), 7.4(f), 7.4(n), 9, 10	7, 11
p. Indemnification	§§ 11.2, 14.9, 16.4(a), 16.7(i)	6
q. Owner's participation/management/staffing	§§ 7.3, 7.4(b), 7.4(c), 7.15, 12.2	11, 15
r. Records/Reports	§§ 2.1(f), 4.3(b), 5, 7.13, 12.5, 14.5(a), 16.2(i), 16.7(d), 17.1	6, 11
s. Inspections/audits	§§ 5, 7.6	6, 11
t. Transfer	§§ 1.3, 4.5, 7.8, 12.5, 13.2, 14, 15, 16.7(j)	6, 17
u. Renewal	§§ 2, 4.3, 9.4, 13	6, 17
v. Post-termination obligations	§§ 5, 9, 11, 13, 15, 16, 18, 19, 20.9	17

Obligations	Section In Agreement	Item In Disclosure Document
w. Non-competition covenants	§§ 7.15, 13, 14.5(g), 16.7(h)	12, 17
x. Dispute resolution	§ 19	17

**ITEM 10  
FINANCING**

Neither we, nor any agent or affiliate of ours, offers direct or indirect financing. We do not guarantee your loan, leases or other obligations.

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

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

Pre-opening Obligations

Before you open your studio, we will provide the following pre-opening assistance:

1. We will designate your search area. You must develop your studio within the search area we designate and at the franchised location selected by you and approved by us. While it is your sole responsibility to obtain a mutually acceptable franchised location, we may provide assistance in finding a franchised location, as we deem reasonable and appropriate. You must use our required site selection vendor to assist you in your site search. This vendor may also provide assistance in the negotiation of your lease or purchase documents, although they do not provide legal services. We will provide virtual evaluation of the proposed franchised location within approximately 30 days of submission by you of a request for review. (Section 6.2(a), franchise agreement).

2. You must acquire your franchised location within your designated search area through a lease or purchase within 120 days from the date you sign a franchise agreement. Typical franchised locations are 1,400 – 2,000 square feet. Studios are generally located in a retail shopping center or on a street with high visibility, moderate pedestrian traffic and easy parking or public transportation. You must select and obtain our written consent for your franchised location before signing a lease or purchase contract. In general, the factors which B3 may consider in its review include the general location and neighborhood, demographics, traffic patterns, parking, size, proximity of complementary businesses, physical characteristics of existing buildings and general lease terms. (Section 7.1(a), franchise agreement). You and your landlord are required to sign our standard form of rider, which incorporates certain provisions into your lease. If you have not acquired an approved franchised location within 120 days of the effective date of the franchise agreement but are diligently working in good faith to locate a site, we may in our sole discretion agree to extend the deadline for you to find a franchised location. We may decide to terminate the franchise agreement at any time after the 120-day deadline if you fail to locate a franchised location that we approve. You may not relocate your franchised location without our prior written consent. You may not operate your studio at a location that is within the protected territory of another barre3® studio, even if that location is within your designated search area. (Sections 3, 6.2(b) and 7.1(a)(ii), franchise agreement).



3. We will grant you access to our confidential manual at the time of execution of the franchise agreement through our barre3® online learning platform, our learning management system, which requires a barre3.com email address and password. The table of contents for our confidential manual is attached to this disclosure document at Exhibit D. Our confidential manual currently contains 138 pages. We may amend our confidential manual periodically in our discretion, and you must comply with any changes. We provide our confidential manual and all changes and updates electronically. (Sections 6.2(h), franchise agreement).

4. We will provide you with the specifications regarding the selection of mandatory and recommended supplies, fixtures, inventory and equipment for the studio, including the required Opening Prop and Retail Package. We will also provide you with a list of approved suppliers. This information will be provided in our confidential manual upon execution of the franchise agreement. (Sections 6.2(c) and (h), franchise agreement).

5. We will provide you with home-study materials for the operator training program, instructor mentor training program, and new instructor training program. (Section 6.2(d), franchise agreement).

6. We will provide you with our operator training program, instructor mentor training program, and new instructor training program, all described in more detail below. (Section 6.2(e), (f), and (g), franchise agreement)

7. We may travel to your studio before you begin operations for up to four (4) days to inspect your studio and provide consultation and advice on opening matters. If we do not travel to your studio before you begin operations, we will conduct a virtual inspection and provide consultation and advice on opening matters remotely (Section 6.2(k), franchise agreement). If your studio does not meet our standards for opening, you will be required to pay for an additional visit from our home office, which will fall under the Special Visit Fee, as outlined in Item 6, Other Fees.

8. We will design and provide you with one web page for the promotion of your studio which will be hosted on our website. We will be the web master, either directly or through a third party, and will have sole discretion and control over all web pages. We will review and execute, subject to our approval, changes you request to the webpage we create and maintain for you. You are not permitted to maintain an individual website or other Internet site related to your studio, including without limitation social networking pages or sites, without our prior written approval. (Sections 6.2(i) and 10.3, franchise agreement).

9. We require that whomever is approved by us to serve in the instructor mentor role at your studio, which may be you, your designated and approved owner, or approved instructor mentor, and three (3) additional instructors have been certified within one month before you begin operations of your studio. If you do not have a total of four (4) certified instructors, including the owner or instructor mentor as applicable, you will not be able to open your studio. (Definitions and Section 7.1(c), franchise agreement).

### Post-Opening Obligations

After opening, we or our representatives, will provide you with the following post-opening assistance:

1. We will make a representative reasonably available to speak with you on the telephone or via e-mail during normal business hours, as we determine is necessary to discuss operational and marketing issues, as well as new developments, techniques, and improvements in services for the operation of your studio. (Section 6.3(a), franchise agreement).

2. We will furnish on-going guidance to you on: teaching methods, our specifications and standards, and management and operating procedures used in the studio; approved equipment, products, materials and supplies, fixtures, furnishings and signs; developing and implementing local advertising and promotional programs, and pricing. We will provide this guidance through our confidential manual, which may be communicated through the Internet, secure web portal, intranet system, email, letter correspondence, webinars, bulletins, video or written materials, reports and recommendations, refresher training programs and/or telephonic consultations at our offices, through technological means, or at your studio. (Section 6.3(c), franchise agreement).

To the extent permitted by law, we may: (i) set maximum resale prices; (ii) set minimum resale prices; (iii) set minimum advertised prices; (iv) set prices in connection with national or regional price promotions or price advertising; and (v) set channels for sale of products and services. (Section 7.5, franchise agreement).

3. We will conduct additional training to provide new class choreography and music playlists among other training purposes. (Section 6.3(b), franchise agreement).

4. We will provide you with brand guidelines and requirements for the creation of promotional and advertising materials you generate (Section 10, franchise agreement).

#### Optional Assistance

1. In B3's discretion, we may develop barre3® branded merchandise and products, new classes, exercise choreography and musical playlists, or any other products or services for use or sale at your studio. You must implement, offer and sell any new or modified class or service or product we develop at your expense. (Section 6.3(d), franchise agreement).

2. We may make a special visit to your studio to provide additional assistance. If we make a special visit, you must pay our then-current special visit fee, plus all of our travel and living expenses. The estimated range of our fees for the special visit fee is \$300 - \$750 and the estimated range of travel expenses estimated at \$1,000 - \$3,000. (Section 6.3(h), franchise agreement).

#### Estimated Time of Opening

We estimate that the typical length of time between the date you sign the franchise agreement and the opening of your studio is approximately 10 to 14 months. Some factors which may affect this timing are: your ability to locate an acceptable franchised location; the time to acquire your franchised location through lease negotiations; your ability to secure any necessary financing; your ability to comply with local zoning, building permits and other state and local requirements; the availability of you and your employees to attend training; the timing of the delivery and installation of leasehold improvements, equipment and inventory; the time to convert, renovate or build-out your franchised location; and the timing of your meeting all of our pre-opening standards.

#### Training Programs

1. We provide you with our operator training program. If you are a business entity, one of the trainees must be your designated and approved owner. If you have designated an approved operations manager to whom you delegate the day-to-day management of the operations of the studio, we will also provide the operator training program to the approved operations manager. (Sections 6.2(e) and 7.1(e), franchise agreement). The operator training program must be completed 30 days, but no sooner than 60 days, before you begin operations. We offer the operator training program approximately every month. There is no fee for you (or your designated and approved owner) and any approved operations manager (if

applicable) to attend the operator training program prior to the time you begin operations, provided all trainees attend the operator training program at the same time. However, you are responsible for all travel expenses, meals, ground transportation and other personal expenses incurred by each person while attending the operator training program, unless the program is offered virtually at our discretion. If, during the term of your franchise agreement, you have a new designated and approved owner or operations manager, you must cause the new designated owner or operations manager to attend and satisfactorily complete the operator training program at your expense. You will pay the operator training fee of \$4,000 for each additional or repeat operator training program attendee. We may change the operator training fee at any time in the future. You will also be responsible for all travel expenses for all persons attending the operator training program including airfare, lodging, meals, ground transportation and personal expenses.

The operator training program lasts approximately 130 hours. The first part, “Barre3 Initial Owner Training,” takes place over three days and has a curriculum that includes business operations strategy, leadership, recruiting, marketing, retail, sales and studio environment. Barre3 Initial Owner Training consists of home study and in-classroom training. The second part, “Sales Training,” includes additional sales training and is conducted through at-home study and practical training at B3 Studios’ facilities. You will also be required to complete tasks and study your training materials for the period between signing your franchise agreement and opening the studio. The classroom and practical training is usually conducted at our offices and B3 Studios’ facilities in the Portland, Oregon area, but the training course may be held virtually at our discretion or elsewhere at a location we designate or, if we agree, at your studio at your expense.

### OPERATOR TRAINING PROGRAM

Subject	Hours Of Classroom/Practical Training	Hours of Home Study	Location
BARRE3 INITIAL OWNER TRAINING:			
Pre-Training Homework: business operations strategy, leadership, recruiting, marketing, retail, sales and studio environment	0	30	Your home or another location chosen by you
Business operations strategy, accounting leadership, recruiting, marketing, retail, sales and studio environment	16	0	Portland, Oregon, or virtually at our discretion
Home Study and Implementation: business operations strategy, accounting, recruiting, marketing, retail, sales and studio environment	0	50	Your home or another location chosen by you

<b>Subject</b>	<b>Hours Of Classroom/Practical Training</b>	<b>Hours of Home Study</b>	<b>Location</b>
<b>SALES AND OPERATIONS PRACTICAL TRAINING:</b>			
Pre-Training Homework	0	10	Your home or another location chosen by you
Studio Sales Shadowing: practical sales work, role playing	22	0	Portland, Oregon, another location selected by us, or virtually at our discretion
Home Study: Software set up training	0	5	Your home or another location chosen by you
<b>Total</b>	<b>40</b>	<b>90</b>	

Instructional materials provided include our confidential manual, Google deck presentations, videos and handouts. The operator training program will be conducted by training personnel under the direction of Jess Zadok, our Director of New Studio Development. Ms. Zadok has over 12 years of experience in the field related to training, including her experience with B3 since June 2022. Other instructors involved in the training have all had experience in at least 1 particular aspect of studio operations, and have received at least 12 hours of in-person instructor training and 8 hours of self-guided instructor training through our HUB training modules. We may change or substitute training personnel as necessary, and we may delegate our duties and share our responsibilities with regard to training.

Failure to successfully complete the operator training to our satisfaction or begin operations within 365 days after the effective date of your franchise agreement may, at our option, result in the requirement for any person who fails the operator training program to retake it at your expense, or if your designated and approved owner fails, the termination of your franchise agreement. The fee to retake the operator training program or if you cause another person to take the program at any time during the term after you begin operations is \$4,000 plus travel and personal expenses, unless the program is offered virtually. We may change the operator training fee at any time in the future.

2. We require that your studio have an “instructor mentor.” We will provide our instructor mentor training program to your first instructor mentor. (Section 6.2(f) and 7.1(e), franchise agreement). An instructor mentor is a person designated by you (or your designated and approved owner) and approved by us who is responsible for instructor recruitment, auditions, training before and after the new instructor training program, and quality control of class instruction at your studio. If you (or your designated and approved owner) are approved by us, you may serve as the instructor mentor; if not approved, you must select another person to fill this role. Your first instructor mentor must be approved by us and must complete to our satisfaction both the new instructor training and the instructor mentor training. Subsequent instructor mentors must be approved by us and complete the new instructor training to our satisfaction and a self-guided training program on our learning management system. If you and we agree, we may provide the instructor mentor training program to subsequent instructor mentors of your studio for a fee.

The instructor mentor training program lasts approximately 20 hours. The instructor mentor training program includes instruction and training on instructor recruitment, auditions, training before and after our new instructor training program, and quality control of class instruction at your studio through manuals, classroom training, practical training and videos. The first 6-8 hours is a self-guided curriculum consisting of learning modules on our internal learning management system and focuses on recruitment,

auditions, and training of new instructors. The next approximate 12 hours consists of classroom training including lecture and practical work that focuses on mentoring barre3® certified instructors and barre3® philosophies and teaching techniques. We offer the instructor mentor training program periodically at our discretion at our facility in Portland, Oregon, elsewhere in at a location we designate, or virtually at our discretion.

### INSTRUCTOR MENTOR TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours of Home Study	Location
Pre-Training: Recruitment and Auditions	0	6 - 8	Your home, other location or your franchised location
Lecture and Practical on Technique and Teaching Methods	12	0	At a barre3 studio selected by us, or virtually at our discretion
Total	12	6 - 8	

Instructional materials provided include our confidential manual, power point presentations, videos and handouts. The instructor mentor training will be conducted by training personnel under the direction of the Sara Catherine Holder, Director of Instructor Training. Ms. Holder has over 3 years' experience training barre3® instructors and owners. Training personnel have 2+ years of experience training instructors and have completed a rigorous franchise trainer training program including advanced anatomy, vocal training, breath, coaching and musicality.

3. We will provide our new instructor training program to your first instructor mentor and an additional five (5) of your other qualified employees, which may include you (or your designated and approved owner). (Sections 6.2(g) and 7.1(e), franchise agreement). Each employee who you intend to teach classes must satisfactorily complete our instructor audition process before participating in new instructor training. Before you open your studio, each employee that will provide instruction of any classes must also successfully complete our new instructor training program and obtain our instructor certification. Whomever is approved by us to serve in the instructor mentor role at your studio must complete the new instructor training and obtain a barre3® teacher certification at least 4 months before the opening of your studio. If you (or your designated and approved owner) will not also serve as the instructor mentor at your studio, but will teach classes at your studio, you must complete the new instructor training and become certified at least 4 months before the opening of your studio. Your additional employees must complete the new instructor training and become certified within one month before the opening of your studio. There is no fee for the first new instructor training program for you (or your designated and approved owner) and/or instructor mentor and employees for a total of six (6) trainees. You are responsible for all travel expenses, meals, ground transportation and other personal expenses incurred by you and your employees attending any training program.

The new instructor training program lasts 67 - 78 hours, and includes instruction and training on how to teach barre3 classes, including musicality, form and movement, performance skills and client connection through manuals, classroom training, practical training, videos, personal practice, practice classes and workshops. The first 25 hours of training consists of learning and practicing the quarterly training class. The next 12 - 23 hours of training consists of lecture and practical work on technique and teaching methods. The following 30 hours of training involves the teaching of practice classes. We offer the new instructor training program approximately every month at our facility in Portland, Oregon, or elsewhere in a location we designate, or virtually at our discretion.

## NEW INSTRUCTOR TRAINING PROGRAM

Subject	Hours Of Classroom Training	Hours of Home Study	Location
Pre-Training: Quarterly Training Class Study and Practice and Workshops	0	25	Your home, other location or your franchised location
3 Day In-Person Training: Lecture and Practical on Technique and Teaching Methods	12 - 23	0	At a barre3 studio selected by us, or virtually at our discretion
Post Training: Practice Classes and Workshops	0	30	A practice appropriate location of your choosing
<b>Total</b>	12 - 23	55	

Instructional materials provided include our confidential manual, presentations, videos and handouts. The new instructor training program will be conducted by training personnel under the direction of the Sara Catherine Holder, Director of Instructor Training. Ms. Holder has over 3 years' experience training barre3® instructors and owners. Training personnel have 2+ years of experience training instructors and have completed a rigorous franchise trainer training program including advanced anatomy, vocal training, breath, coaching and musicality.

4. Failure of whomever is approved by us to serve in the instructor mentor role at your studio, which may be you, your designated and approved owner, or approved instructor mentor, to complete the new instructor training and obtain a barre3 teacher certification at least 4 months before the opening of your studio may, at our option, result in: the requirement for such person or a new approved instructor mentor to retake the new instructor training program at your expense, or the termination of your franchise agreement. In addition, failure of an additional four of your employees to complete the new instructor training and obtain a barre3® teacher certification within one month before the opening of your studio may, at our option, result in: the requirement for such person(s) (or substitute person(s) who pass our audition) to retake the new instructor training program at your expense, or may result in a default of your franchise agreement and delayed opening date of your studio. The fee to retake the new instructor training program or to have another instructor attend training is \$400 per person plus travel and personal expenses. We may change this fee at any time in the future.

5. We also offer optional barre3® management training programs to educate and empower the barre3® franchise owner, studio manager, and operations manager (if applicable). Course work includes communication management for clients and staff, sales strategies, retail management, social media, marketing, and more. This management training program is an optional service provided by us, except in the case of mandatory attendance as part of the renewal process, and you may be invited by us at times and for reasons that we determine and may be discontinued at any time. We may stop offering these optional trainings at any time.

6. Throughout the term of the franchise agreement, you are responsible, at your expense, for making sure that your employees are properly trained to our standards and requirements. If at any time during the term of the franchise agreement you hire a new approved operations manager, you must cause each such new manager to complete our operator training program to our satisfaction. If at any time during the term of the franchise agreement you recruit a new instructor mentor, you must cause each such new

instructor mentor to complete the self-guided new instructor mentor training modules available on our learning management system or to attend the instructor mentor training program to our satisfaction. If at any time during the term of the franchise agreement you recruit a new instructor, you must cause each such new instructor to complete the new instructor training program to our satisfaction. No employee may teach any classes until completing the new instructor training program to our satisfaction. All training attendees must sign a confidentiality and nondisclosure agreement prior to attending any program. (Section 7.15 and 13.1(b), franchise agreement).

7. We may require that you (or your designated and approved owner), any of your instructors, instructor mentor and your approved operations manager attend additional training or retake a training program if we develop new techniques or if such person(s) does not meet our standards or requirements. Additional instructor training may include new techniques, sequencing or other fitness programs. Additional training and retraining will be provided at our facility in Portland, Oregon, another location designated by us, virtually through online video or conferencing, or other home study materials. The fees for additional instructor training are \$400 per person plus travel and personal expenses. The fees for additional instructor mentor training, not including the self-guided modules available on our learning management system, is \$400 - \$600 per person plus travel and personal expenses. The fees for an additional person to take or retake the operator training program is \$4,000 plus travel and personal expenses. We may change these fees in the future. (Definitions and Section 6.2(e),(f),(g) and 7.4(a), franchise agreement).

#### Advertising Programs

All matters noted below are in Section 10 of the franchise agreement:

1. As of the issuance date of this disclosure document, there is no local or regional advertising cooperative that you must participate in. We reserve the right to designate local advertising markets and if designated, you must direct your advertising and marketing to the cooperative programs in your designated local advertising market (a “cooperative”). If established, each studio within a designated local marketing area will be a member of the cooperative and each such studio will have one vote on all matters requiring a vote. Each cooperative’s purpose is, with our approval, to administer advertising programs or initiatives and to develop advertising, marketing and promotional materials for the local advertising market that the cooperative covers. You may be required to contribute to advertising cooperatives, but will not be required to contribute a total of more than 1% of your Gross Revenue for all advertising cooperatives to which you belong. We reserve the right to designate the bylaws that govern the operation of the cooperatives, although the bylaws cannot modify the voting structure stated in the previous sentence. We may change, dissolve or merge cooperatives.

2. As of the issuance date of this disclosure document, there is no advertising council composed of franchisees. We may require a franchisee advertising counsel to be formed, changed, dissolved or merged in the future.

3. We are not required to provide any advertising on your behalf or on behalf of the franchise system generally.

4. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located.

5. You must pay us payments towards the marketing fund of 2% of your monthly Gross Revenues. You must pay the marketing fund payments at the same time and in the same manner that you pay your royalty fee, based on the amount of Gross Revenues in the previous reporting period. We will not be required to deposit the marketing fund payments in a separate bank account, commercial account or savings account. We will separately account for the marketing fund. The marketing fund will be

administered by us, and we may use a professional advertising agency or media buyer to assist us. Your contribution to the marketing fund will be in addition to all other advertising fees or expenses. An annual unaudited financial statement of the marketing fund, prepared at the expense of the marketing fund, shall be available to you for review 120 days after our fiscal year end, once per year upon your reasonable written request. We will make available to you an annual accounting for the marketing fund that shows how the marketing fund proceeds have been raised and spent for the previous year upon your written request, sent to the attention of Michael Vlietstra at our offices. You can review the annual report on a password protected portion of our website or other electronic means. Franchisees may also obtain a copy of the unaudited annual accounting of the marketing fund by making a written request for the password to the online version of the document no sooner than 120 days after the end of franchisor's fiscal year for an accounting for the prior year. In our last fiscal year ended December 31, 2022, we spent approximately 59% of the marketing fund on production (inside professional services), 39% on media placement, and 2% on administrative expenses.

We will have the sole right to determine how to spend contributions to the marketing fund, or funds from any other advertising program, and we have the sole authority to determine the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend the funds in the general best interests of our franchise system. All payments to the marketing fund must be spent on advertising, public relations, market research, promotion, marketing of products and services provided by Franchisor, outside vendors, marketing agencies, Franchisor's website design and maintenance (a portion of which will be used to explain the franchise offering and solicit potential franchisees, and to include notations in any advertisement indicating the franchise opportunity, including without limitation, "Franchises Available"), and administration of the marketing fund, including but not limited to, salaries, overhead, administrative, accounting, collection, legal costs and expenses. We assume no other direct or indirect liability or obligation to collect amounts due to the marketing fund or to maintain, direct or administer the marketing fund. Any unused funds in any calendar year will be applied to the following year's funds, and we reserve the right to contribute or loan additional funds to the marketing fund on any terms we deem reasonable.

We may use the marketing fund for the creation, production and placement of commercial advertising; agency costs and commissions; creation and production of video, audio and written advertisements; maintaining and upgrading of the barre3® website; administering multi-regional advertising programs, direct mail and other media advertising; billboards; in-house staff assistance and related administrative costs; local promotions; supporting public relations; trade show participation; market research; and other advertising and marketing activities. Advertising may be placed in local, regional or national media of our choice, such as print, Internet, direct mail, radio or television. We may also use marketing fund contributions to develop and prepare advertising that we distribute to our franchisees for their placement in the local media. The advertising may be prepared by us or outside sources. We will not be required to spend any amount or percentage on advertising in the area where your studio will be located or in your authorized territory. The marketing fund will not be used for advertising principally directed at the solicitation of new franchise sales. Neither our affiliates nor we will receive payments for providing goods or services to the marketing fund, except for reimbursement of expenses as described above.

All franchisees will contribute to the marketing fund at the same rate. Neither B3 nor its affiliates will be required to contribute to the marketing fund, and contributions made by B3 or its affiliates may be in different proportions to that of franchisees.

6. We may also develop and require you to participate in discount programs or promotions, issue coupons and gift cards, and establish membership reciprocity programs on a local, regional or national basis.



7. You may not advertise outside your authorized territory without our written approval. We are not required to create and provide you with any advertising materials. You may create your own advertising and promotional materials; however, we must approve all advertising and promotions created by you before you use them and they must comply with our graphic standards. Use of logos, trademarks and other name identification materials must be consistent with our approved standards and may require a license agreement with the media outlet. You may not use our logos, trademarks and other name identification materials on exercise classes, products, or other services to be provided at your studio or for any other purposes without our prior written approval. We must also first approve all advertising and marketing efforts through any channel of communication prior to your use.

8. We require that you host a grand opening event at some time between the first and fourth month after you begin operations. You must spend a minimum of \$15,000 on your grand opening. Five thousand of this amount must be paid to us at the time you pay your initial franchise fee. We may use these funds for digital promotion of your opening. The balance of at least \$10,000 must be used for a grand opening party, advertising and promotions, according to the standards we require, and you must provide receipted documentation of these expenditures.

### Internet Activities

We have created and maintain a website that provides information about our franchise system and the exercise classes, products, and other services offered by franchisees and have sole discretion and control over it. We will create an interior page on our website containing information about your studio and other franchised and company or affiliate owned locations. We maintain control over the content and design of your studio's webpage on our website.

You may not establish or maintain a separate email account, website, splash page or other presence on the Internet, including social media accounts (e.g. Facebook, LinkedIn, Pinterest, TikTok, Plaxo, Twitter, Instagram and YouTube), unless we set up and provide you with such an account, or unless you obtain our prior written consent. Before beginning operations of your studio, we establish and provide you, or your owners and select employees, with an @barre3.com email account. We also create certain social media accounts for you to maintain, such as Facebook. We own all @barre3.com email accounts and the social media accounts we create for your use; we may periodically review communications in these accounts and you should have no expectation of privacy in anything you create, store, send, or receive through these accounts. We will give you administrative rights to post to the social media accounts. You must follow our standards and specifications for content, posting and uses of any variation of our trademarks or franchise system references. We reserve the right to add, remove or modify content posted by you to social media accounts. In the circumstances where we are not able to create a social media account on your behalf due to technological limitations, you must obtain our prior written approval before establishing such an account and must add us as an additional administrator to the account, if possible. We must also pre-approve your use of linking and framing between approved webpages and all other websites. We will review your request and will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time will be deemed a disapproval of your request.

### Computer Systems

All items noted below are in Sections 5 and 8 of the franchise agreement:

You must purchase or lease Computer Systems, including a studio management software program, to perform certain functions, some of which are to track: daily revenues; the number of class participants; revenue generated per class; inventory and purchases; reporting and analysis; and storing, organizing and playing music in your studio. You must also have high-speed access to the internet. We have the right to specify one or more approved Computer Systems suppliers, including software suppliers. We require you

to purchase software which permits us to receive information in real-time concerning sales, class schedules, member information and inventory of your studio along with other information. We will access the software and collect and use the electronic information in any manner we choose to promote the development of our franchise system and the sale of franchises. We own all the data generated by the software and there is no limitation on our right to receive information through the software. You will be required to pay the software supplier (either through us or directly) a one-time set-up fee and a monthly service fee based on your number of employees. You will also be required to pay credit card processing fees directly to our approved supplier. The supplier may require you to sign a license agreement. B3 may change designated suppliers at any time upon 30 days' notice to you. We may revise our specifications and change software suppliers at any time.

The estimated cost of the Computer Systems (which includes software) is between \$1,000 to \$5,000. You may be required to upgrade your Computer Systems during the term of the franchise agreement. There is no limitation on your obligation to upgrade your Computer Systems and pay for those upgrades or changes. The cost to upgrade your Computer Systems is estimated to be \$1,000 - \$3,000, each time an upgrade is required.

Neither B3 nor any of its affiliates has an obligation to provide ongoing maintenance, repairs, upgrades or updates for your computer hardware or software, but the software supplier may have an obligation to do so. B3, or its affiliate, may develop a proprietary software program for use by all franchisees in the future. If we do so, we may require you to use it, sign a software license agreement, and pay a license fee.

Computer Systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems and attacks by hackers and other unauthorized intruders. We do not guarantee that the Computer Systems will not be vulnerable to these problems. You are solely responsible for protecting yourself from these problems. This may include taking reasonable steps to secure the Computer Systems and your other systems (including using and continuously updating firewalls, password protection, and anti-virus systems), to use backup systems, and to comply with privacy and data security laws. You may not sue us for any harm caused by such problems. If you discover a data breach requiring notification to any third party, you must also simultaneously notify us.

## **ITEM 12 TERRITORY**

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

You will operate your studio at a specific location that we approve and you may not relocate the studio without our prior written consent. When you sign your franchise agreement, you will be assigned a defined geographical search area on Attachment "A" of the franchise agreement, within which you may seek and identify potential locations. The search area has no territorial exclusivity, and is normally larger than a typical authorized territory described below. A written request for a change of the search area may be submitted to us, and will be approved if we determine that acceptable sites are not available in the original search area. We will designate any new search area.

At such time that a site for your franchised location has been approved by us, we will include on Attachment "B" of the franchise agreement your authorized territory, which in most instances will be no less than an area equivalent to a radius of one mile around your franchised location. However, the radius and shape will depend on the specific market variables of your location, including demographics, psychographics, density, market trends, traffic flow, natural and human-made boundaries, character of the

neighborhood, competition from other businesses providing similar services within the area and our current general territory profile criteria, such as minimum population, minimum number of qualified households and age range of core customers. Your authorized territory may not be in the shape of a circle, and may be described by street map landmarks and compass directions. In densely populated urban areas with good demographics, your authorized territory may be less than one mile in radius.

Currently, in a suburban or rural area the minimum female population is 15,000 and the minimum number of qualified households is 6,500, but may be smaller in an urban market. A “qualified household” in an urban area has annual average income of \$75,000 or above, but this threshold may be lower in a suburban or rural area.

The authorized territories we grant to our franchisees may overlap, as long as the address of a franchisee’s studio is not located within the boundaries of another franchisee’s authorized territory.

You must operate your franchised business within your authorized territory and you must not market or advertise your studio outside of such territory without our prior written permission. We must approve your franchised location.

If your franchised location becomes unavailable to you for any reason or if you wish to move your franchised location, it is your obligation to select a new franchised location, and to obtain our approval of that franchised location before you acquire or obtain any rights (e.g. sign a lease) in the replacement franchised location.

You do not need to satisfy any sales quota or market penetration to maintain your rights to your authorized territory, except as follows: in the second full calendar year following the year in which your studio opens, you must generate Gross Revenues of at least 50% of the average Gross Revenues of all franchisees who have been open at least one full calendar year. In the third and subsequent full calendar years, you must generate at least 70% of the average Gross Revenues of all of the franchisees in the network who have been open at least one full calendar year. Failure to meet these minimums for two consecutive calendar years may result in a reduction in the size of your authorized territory. Failure to meet these minimums for three consecutive calendar years is a material default in the Agreement, for which your franchise may be terminated. Other than as described above, once we establish your authorized territory, we will not change or alter its size during the initial term unless you agree in writing.

You will not have any option, right of first refusal or similar rights to acquire any additional stores, additional franchises, or territories by virtue of signing the franchise agreement.

### The Authorized Territory

During the term of the franchise agreement, we will not locate or license to another franchisee the right to locate a studio within your authorized territory. However, we reserve for ourselves, our affiliate and others whom we authorize, the right to engage in certain activities in your authorized territory. Therefore, you will not receive an exclusive authorized 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. The rights we reserve include:

- (i) the right to use our trademarks and our business system to sell products, classes, and other services through channels of distribution other than a brick and mortar standalone retail studio, including the Internet, wholesale distribution of products, direct marketing, co-branding with hotels, clubs, schools and other facilities at any location including in your authorized territory;

(ii) the right to provide training classes and special programming at ballet, Pilates and yoga studios, as well as fitness clubs located within your authorized territory without compensation to you;

(iii) the right to provide instructional courses and coaching as well as sell barre3® merchandise through the Internet and to provide classes, workshops or courses through programs broadcasted in your authorized territory. We, and our affiliate B3 Studios, reserve the right to freely solicit and hire instructors that work at your studio to teach online classes or provide coaching services on the Internet. Franchisor's affiliate B3 Studios currently sells online workouts, Props, yoga mats, and apparel on the Internet;

(iv) the right to acquire, be acquired by, or merge with another similar or competing business, regardless of the location of competing studios in your authorized territory or their impact on the studio;

(v) the right to use the Internet, whether using our trademarks or not. We retain the sole right to market and to conduct business on the Internet and use our trademarks on the Internet, and we need not pay compensation for online sales inside your territory;

(vi) the right to operate a studio at any location outside your authorized territory, and to license or franchise others to operate a studio at any location other than in your authorized territory, regardless of their proximity to your authorized territory (including having protected territories that overlap with your authorized territory; and

(vii) we may engage in any other activity not expressly prohibited by the franchise agreement.

Outside of your authorized territory, we may use, and license others the right to use, our trademarks and business system for the operation of a studio anywhere regardless of proximity to your authorized territory (including a studio with an authorized territory that overlaps with your authorized territory), and for any other purposes in our discretion.

We have no duty to protect you from these sales, solicitations, or attempted sales. We also have no duty to compensate you for any products, classes, or other services we solicit or orders we accept inside your authorized territory. You may face competition from other studios outside your authorized territory, and from outlets that we own, from other channels of distribution or competitive brands that we control. Customers from other authorized territories may purchase exercise classes, products, and other services from your studio whether at the studio, over the Internet, or in other reserved channels of distribution. However, you may not directly advertise or market your studio outside of your authorized territory, or otherwise solicit sales through catalogs, telemarketing, the Internet, or other forms of direct marketing outside of your authorized territory, unless otherwise approved in writing by us.

### **ITEM 13 TRADEMARKS**

The franchise agreement grants you the nonexclusive license and right to use the trademarks that we designate in connection with our System. You must indicate by notification to your employees and to the public, as explained in the franchise agreement and our confidential manual, that you are an independent operator of the studio and you will use only the appropriate and authorized trademarks as indicated by us.

By trademark, we mean trade names, trademarks, service marks and logos used to identify your studio and the exercise classes, products, and other services offered. We also own and claim common law trademark rights in the trade dress used in connection with our studio's design and operations. Our trade dress is distinctive, non-functional and protectable. Our common law trademark rights and trade dress are also included as part of our trademarks.

We have entered into an intellectual property license agreement with B3 Studios, owner of the trademarks and other intellectual property for the perpetual, non-exclusive, royalty-free, fully-paid, worldwide rights and license to use the trademarks and other intellectual property B3 Studios may designate. The intellectual property license agreement also provides us the right to sublicense the rights granted to us in that agreement to any franchisee.

You must adhere to all rules and guidelines proscribed by us from time to time when you use our trademarks. Unless we explicitly license you to do so, you may not use any of our trademarks alone or with modifying words, designs or symbols, as part of a corporate or business name or in any form on the Internet, such as URLs, domain names, e-mail addresses, locators, links, metatags or search techniques. You must not use any of our trademarks, or portions or derivatives of our trademarks in the registration of the name of any entity (for example, "B3 Michigan LLC" or "Jane's Barre3 Inc."). Guidelines regarding proper trademark use and notices are in our confidential manual and will be updated periodically. You may not use our trademarks with an unauthorized product or service, or in a manner not authorized in writing by us. You are not permitted to use our trademarks on any retail products you offer for sale in your studio, such as T-shirts, bags, water bottles or any other product, without our prior written consent.

By signing the franchise agreement, you agree that we, or our affiliate, owns or has the right to all rights and title in our trademarks and that if you use them in an unauthorized manner that use will be an infringement of our rights in and to our trademarks. You also agree that your use of our trademarks specifically identified in your franchise agreement and any goodwill you establish will be to our exclusive benefit. You agree to operate your studio in strict compliance with our high standards and to comply strictly with all of our mandatory specifications, standards and operating procedures relating to studios that we may change periodically.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, or cancellation proceedings or any pending material litigation involving any of our trademarks that are relevant to the use of these trademarks; no currently effective agreements affecting or limiting our use or ownership rights in any of our trademarks; and we do not know of any prior rights or infringing uses that could materially affect your use of our trademarks in any state.



You must notify us within 3 days after learning about any infringement of, or challenge to your use of our trademarks. We will take the action that we deem appropriate or necessary to protect the unauthorized use of our trademarks, which may include payment of your reasonable costs associated with the action. However, the franchise agreement does not require us to indemnify you, or to take affirmative action in response to any alleged infringement of or challenge to your use of, any of our trademarks or claim by any person of any rights in any of our trademarks. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business or our franchise system. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will take action as we deem appropriate regarding any infringement, challenge or claim, and we retain the sole right to control exclusively any litigation or other proceeding arising out of any infringement, challenge or claim under any of our trademarks. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary or helpful to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in our trademarks.

You must modify or discontinue the use of any of our trademarks, at your expense, if we modify or discontinue its use. Further, if we discontinue the use of a trademark due to our determination that a third party has superior rights to the trademark, we will not have any obligation to reimburse you for any expenditure you may have for any discontinuance, modification, substitution, loss or damage you may

claim; however, we may, at our election, reimburse you for the hard costs of changes to your signage, letterhead, business cards and other similar items.

You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to our trademarks with superior rights to our rights. Before opening your studio, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your studio name.

Our affiliate, B3 Studios, has registered and has filed all the required affidavits for the following principal trademarks with the United States Patent and Trademark Office (“USPTO”) on the Principal Register, for use in connection with the goods or services specifically described in the registration:

Mark	Registration or Serial Number	Registration or Application Date	Status
	3,798,605	June 8, 2010	Registered; Renewed
	3,746,521	February 9, 2010	Registered; Renewed
barre3	4,002,107	July 26, 2011	Registered; Renewed
B3	6,607,813	January 4, 2022	Registered

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

The information contained in our confidential manual is proprietary and, although we have not registered it with the United States Copyright Office, we claim ownership and federal copyright protection. Additionally, although we have not registered the following copyright registrations, we claim that the designs contained in our trademarks, the layout and content of our advertising materials and those that we permit you to use, our website, as well as the content and format of any other writings, pictorial works and recordings, as well as any other works of authorship are protected by copyright and other laws. We grant you the nonexclusive license and right to use the above-described proprietary and copyrighted information solely for use in connection with your operation of your studio, but these copyrights remain our sole property.

There are currently no effective determinations of the United States Copyright Office or any court regarding any of our copyrights that are material to the franchise system, nor are any proceedings pending, nor are there any currently effective agreements between us and third parties pertaining to our copyrights that will or may significantly limit your use of our copyrights. We are not obligated under the franchise agreement or otherwise to protect or defend our copyrights. We have not registered our copyrights.

We have proprietary and confidential information that we protect under our franchise agreement and related agreements and under trade secret law. Such confidential information includes all content of our manuals, everything that we designate as confidential, all information about our training, systems, technology, vendors, and marketing, and non-public information about our franchisees and company operations.

Our intellectual property (including our copyrights, confidential information, and trade secrets) is our property to be used by you only as described in the franchise agreement and our confidential manual. You must add, modify or discontinue the use of our intellectual property if we instruct you to do so. We do not have any obligation to reimburse you for any expenditure you may incur for the discontinuance, modification or substitution of any equipment or otherwise. You must maintain the confidentiality of our confidential information and trade secrets and adopt reasonable procedures to prevent unauthorized disclosure of our trade secrets and confidential information, including without limitation the obligation to require that all of your employees execute our standard form nondisclosure and non-competition agreement.

You must notify us within 3 days after you learn about another's use of language, visual image or design, or a recording of any kind, that you believe to be identical or substantially similar to any of our intellectual property. You must notify us within 3 days if someone challenges your use of our intellectual property. We will take whatever action we deem appropriate to protect our rights in and to our intellectual property, which may include payment of reasonable costs associated with the action. However, we are not required to take affirmative action in response to any apparent infringement of or challenge to your use of any of our intellectual property or claim by any person of any rights in any of the same. You must not directly or indirectly contest our rights to any of our intellectual property. You may not communicate with respect to any infringement, challenge or claim with anyone except us, and our counsel. We will take action we deem appropriate regarding any infringement, challenge or claim, and will have the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim related to any of our intellectual property. You must sign any and all instruments and documents, give the assistance, and do things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding or to protect and maintain our interests in our intellectual property.

There are no patents or pending patent applications that are material to the franchise.

You must disclose to us all ideas, techniques and products concerning the development and operation of the studio that you or your employees conceive or develop during the term of the franchise agreement. You must grant to us and agree to obtain from your owners or employees a perpetual, exclusive, royalty free and worldwide right to use these ideas, techniques and products concerning the development and operation of the studio that you or your employees conceive or develop during the term of the franchise agreement in all exercise-related product and service businesses that you operate. We will have no obligation to make any lump sum or ongoing payments to you or to compensate you in any way with respect to any idea, concept, method, technique or product. You must agree that you will not use nor allow any other person or entity to use any of these ideas, techniques or products without obtaining our prior written approval.

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

You must designate one person to serve as the person responsible for the day-to-day management and operations of your studio. This person can be you, or your designated and approved owner, or the operations manager appointed by you and approved by us. This person must complete our operator training program to our satisfaction and devote full-time efforts to the management and operation of the studio. This person may not be simultaneously employed by any other business. Regardless of whether you delegate duties to an operations manager, you, or your designated owner, will be obligated to participate personally in, devote significant time and best efforts to, and will always remain primarily responsible for the management and operation of your franchised studio. If you, your designated owner, or approved operations manager's employment ends, you must promptly designate a new person to be responsible for the day-to-day management of your studio. This person must complete our operator training program to our satisfaction.

Each of your employees must execute our standard form Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement and you must also require that your employees comply with our confidentiality and non-competition requirements. (See Attachment G to the franchise agreement).

If you are a legal or business entity, we require that each of your officers, directors, partners, shareholders or members, and their spouses or legal domestic partners (or, if you are an individual, you and each of your immediate family members) provide us with financial information that we may reasonably require, and execute our standard Guaranty and Assumption of Franchisee's Obligations and our Nondisclosure and Non-Competition Agreement. (See our Guaranty and Assumption of Franchisee's Obligations that is Attachment C, to the franchise agreement and our Nondisclosure and Non-Competition Agreement that is Attachment F to the franchise agreement).

Any franchisee (or its designated and approved owner) or, if applicable, its approved operations manager, who has a child under the age of six are required to make arrangements for such child's offsite childcare.

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

You must keep your studio open and in normal operation for the minimum hours and days we may specify in our confidential manual. You must refrain from using or permitting the use of your studio for any purpose other than as provided in the franchise agreement or our confidential manual or activity at any time, or the offering of collateral services, without first obtaining our written consent.

You must provide all of the required exercise classes, products, and other services. However, if a particular exercise class, product, or other service does not sell well in your authorized territory, you may request that you no longer be obligated to provide the product, class, or other service. We will respond to your request within 30 days from the date the request is received. We may deny your request.

You must sell or offer for sale only those exercise classes, products, and other services which are authorized by us and which meet our standards and specifications. You must follow our policies, procedures, methods, techniques and confidential manual directives, and must not alter or vary the fitness choreography or music playlists that we develop and require for your use. You must sell or offer for sale all types of exercise classes, products, and other services specified by us. We may change or add to our required exercise classes, products, and other services upon prior notice to you. There are no constraints on our right to do so. You must discontinue selling any exercise classes, products, or other services that we may disapprove in writing at any time; and you must add any new exercise class, product, or other service as we may direct at any time at your own cost. You must not offer retail products for sale at your studio (whether or not they include our trademarks) unless directed by us or with our prior written consent.

To the extent permitted by law, we may: (i) set maximum resale prices; (ii) set minimum resale prices; (iii) set minimum advertised prices; (iv) set prices in connection with national or regional price promotions or price advertising; and (v) set channels for sale of products and services. You must provide specified products and services for your studio, including specialized exercise classes we proscribe using a ballet barre and other equipment in conjunction with ballet, Pilates and yoga techniques, the retail sale of related merchandise and other related services and products. You may not sell any exercise classes, products, or other services through any website created for the studio whether branded with our trademarks or otherwise via the Internet or other electronic means except as permitted by our confidential manual.



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

**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.**

**THE FRANCHISE RELATIONSHIP**

Provision	Section	Summary
a. Length of the franchise term	§ 2.1	Initial term of the franchise is the longer of 10 years from the execution date of your franchise agreement or commencement date of your studio lease. Former TBC franchisees will have an initial term of 5 years from the execution date of the B3 franchise agreement, subject to reasonable adjustment.
b. Renewal or extension of the term	§§ 2.1, 2.2	You may renew for an additional term of 5 years, if certain renewal conditions are satisfied.
c. Requirements for franchisee to renew or extend	§§ 2.1, 2.2	You must provide us with at least thirteen months and no more than eighteen months prior notice of intent to renew, sign a new and then-current franchise agreement including the attached renewal addendum within 30 days of receipt, sign a release and new personal guaranty, provide us proof that you have the right to continue providing exercise classes and other services from your franchised location or have found an alternative location, you obtained all necessary licenses and permits, upgrade the studio if we require, take any renewal training courses we require, satisfy all payment obligations, including the renewal fee, provide us with requested financial information. You must be in substantial compliance with the franchise agreement during the initial term and not in default at the time of renewal. The new franchise agreement may contain terms and conditions materially different from those in your previous franchise agreement, like different fee requirements and territorial rights. We may at our option waive some of these requirements. Alternatively, if at the time for renewal we are not offering franchises in the U.S. or cannot by law offer a renewal franchise to you, your existing franchise agreement will be extended for a one-year period; if at the end of the one-year extension we still have not offered franchises in the U.S. or still cannot by law offer a renewal franchise to you, the franchise agreement will expire and you will not have any further renewal or extension rights.
d. Termination by Franchisee	None	You may terminate under any grounds permitted by law.

Provision	Section	Summary
e. Termination by Franchisor without cause	None	Not applicable.
f. Termination by Franchisor with cause	§§ 16.1, 16.2, 16.3	We can terminate the franchise agreement if you commit any one of several violations listed under the franchise agreement.
g. “Cause” defined – curable defaults	§ 16.2, 16.3	<p>We may terminate the franchise agreement after providing you a 15-day cure period if: you fail to pay any monies you owe us or our affiliates; you fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously made to you; you fail to comply with the deadlines provided in the franchise agreement to acquire a franchised location, financing or complete build out of your franchised location; you conduct yourself in a manner which reflects adversely on our franchise system or our intellectual property; you fail to comply with applicable law or to procure or maintain any necessary licenses, certifications, or permits; any governmental action is taken against you that results in any obligation upon us; any guarantor fails or refuses to deliver to us, within 10 days after our written request a signed personal guaranty or current financial statements; you breach any lease or purchase agreement; three or more times in any 12-month period you fail to submit any required report or more than five days late; or three or more times during the Term you under-report your Gross Revenue by more than 3%.</p> <p>We may terminate the franchise agreement after providing you a 30-day cure period if you fail to perform or comply with any one or more of the terms or conditions of the franchise agreement, including if: you fail to maintain the then-current operating procedures; you fail to obtain our prior consent when required; you make an unauthorized change to your franchised location or other equipment; you fail to maintain a sufficient inventory level; you fail to successfully complete and pass the Instructor Training Program; or you fail to personally supervise the studio operations or employ an adequate number of capable employees.</p>

Provision	Section	Summary
<p>h. “Cause” defined – non-curable defaults</p>	<p>§ 16.1, 16.6</p>	<p>The franchise agreement will terminate upon written notice without the opportunity to cure if: you make an assignment for the benefit of creditors, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking liquidation, reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the studio; proceedings are commenced to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and those proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the studio without your consent, and the appointment is not vacated within 60 days; you purport to sell, transfer or otherwise dispose of your interest in the studio in violation of our requirements; you are convicted of, plead guilty or no contest to, or take part in criminal acts or misconduct or commit fraud in the operation of the studio; you materially breach any other agreement with us or our affiliates; you misuse our intellectual property (including our confidential information); you violate any health, safety or sanitation law; you violate the in-term restrictive covenants of the franchise agreement; any material judgment is obtained against you and not discharged within 30 days; a lien or writ of attachment or execution is placed against you and is not released or bonded against within 5 days; you abandon the studio; you offer any unauthorized or unapproved products or services in connection with the operation of your studio; you purchase or use supplies from unapproved suppliers; you fail to comply with any governmental notice of non-compliance with any law or regulation within the required cure period; you contest in a court proceeding the validity of our trademarks; you fail to maintain adequate insurance; you make any misrepresentations in connection with the franchise application; you fail to commence operations within the periods provided; you make any misrepresentation in the franchise agreement; or during any consecutive 12-month period you are in default three or more times of the same provision of the franchise agreement.</p>
<p>i. Franchisee’s obligations on termination/non-renewal</p>	<p>§§ 9, 11, 13, 16</p>	<p>Your obligations under the franchise agreement include complete de-identification, nondisclosure of trade secrets, insurance, indemnification, non-competition, payment of amounts due, return manuals and proprietary materials, allow our inspection and audit, assignment of lease, phone, Internet, and other directory numbers and listings, facilitate our right of first refusal and options.</p>
<p>j. Assignment of contract by Franchisor</p>	<p>§ 14.1</p>	<p>No restriction on our right to assign under the franchise agreement.</p>

Provision	Section	Summary
k. "Transfer" by Franchisee - defined	§§ 14.2, 14.3, 14.4, 14.5, 14.7, 14.8	Includes transfer of rights under the franchise agreement; all or a substantial portion of the assets or entity of your studio; or if the franchisee is a business entity, a controlling interest in that business entity. Transferee must sign the then-current form of franchise agreement including the renewal addendum thereto, which may contain materially different terms, upgrade your franchised location to our then-current standards and specifications, take all required training programs, and be approved by us. Transferees who are related to you and who sign our then-current form of franchise agreement will receive the full initial term contained in our then-current offering. We must be paid a transfer fee and, if applicable, sales commission. We may at our option waive some of these requirements, and may instead allow you to assume the original franchise agreement, in which case the parties will sign our form of an assumption, consent and mutual release agreement.
l. Franchisor approval of transfer by Franchisee	§§ 14.2, 14.4, 14.5, 14.6, 14.7, 14.8, 14.9	We must approve all transfers.
m. Conditions for Franchisor approval of transfer.	§§ 14.5, 14.6	Provide us at least 60 days' prior notice of intent to transfer. Transferee qualifies, no existing defaults or debts, transfer fee paid (as well as any applicable sales commission), signs the then-current franchise agreement, which may contain materially different terms, and Transferee provides us with requested financial information that we approve. Transferee completes all required training. Transferee and Transferor sign a general release as well as a personal guaranty. Material terms of transfer approved by us, if you finance any part of the transfer, you agree to subordinate your interests to ours, and to be bound by post termination covenant not to compete, transfer agreement signed and approved by us, and you must update your franchised location, if applicable, to our then-current standards. Your franchised location must be kept operational during any period of transfer.
n. Franchisor's right of first refusal to acquire Franchisee's business	§ 15	We can match any offer for the studio.

Provision	Section	Summary
o. Franchisor's option to purchase Franchisee's business	§ 15	Upon termination or expiration of the franchise agreement we have an option to buy the studio and all furniture, fixtures, equipment, products, accounts and other business assets at an agreed (or if necessary, appraised) fair market value, excluding any consideration for goodwill or going concern value created by our marks and business system. We may exclude from our purchase your liabilities and certain non-compliant or unusable assets. If you are located in California, the option price may be different—see the State Addenda in Exhibit F.
p. Death or disability of Franchisee	§ 14.8, 14.9, 14.10	The studio may be assigned to your successor provided such successor complies with the conditions of transfer.
q. Non-competition covenants during the term of the franchise	§ 13, Attachment G	Under the franchise agreement, neither you nor your owners, officers, directors, employees, managers, or their immediate family can have any direct or indirect interest in any competitive business, cannot perform services for a competitive business, and cannot direct or attempt to divert business of ours or other franchisees during the term of the franchise agreement.
r. Non-competition covenants after the franchise is terminated or expires	§ 13, Attachment G	For two years after expiration, transfer, or termination of the franchise agreement, neither you nor your owners, officers, directors, employees, managers, or their immediate family can have any direct or indirect interest in any competitive business, cannot perform services for a competitive business by any means, including without limitation virtually, online or in person, and cannot direct or attempt to divert business of ours or other franchisees within a 25 mile radius of any Studio whether owned by us or any other franchisee; or solicit customers of your former Studio or contact any of our suppliers, vendors or customers for any competitive business purpose.
s. Modification of the agreement	§ 20.10	The franchise agreement can only be modified by mutual written agreement of the parties, but we may change your obligations through our confidential manual at any time.
t. Integration/merger clause	§ 20.4	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and franchise agreement, may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 19	Subject to state law, all disputes must be mediated and if necessary, arbitrated in the State of Oregon, except that we may seek injunctive relief to enforce the misuse of our trademarks, restrictive covenants, or claims of past due amounts.

Provision	Section	Summary
v. Choice of forum	§ 19.3, 19.4, 19.5	All disputes must be brought in the State of Oregon, subject to state law.
w. Choice of law	§ 19.13	Oregon law shall apply to all disputes, subject to state law.

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/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.

Overview

Provided in this Item 19, is Gross Revenue (defined below) data from franchisee-owned outlets and company-owned outlets operating in the U.S. from January 1, 2022 to December 31 2022, and the first month of 2023 (the “Reporting Period”). Also provided in this Item 19 is data on attendance by class type at franchisee-owned outlets in the Reporting Period. The data used for the calculations presented in this Item 19 was collected from the point of sale software system we require franchisees to use and use ourselves. We have not audited the figures reported to our point of sale system by franchisees.

There were 132 franchisee-owned outlets open in the U.S. during some or all of the Reporting Period. Charts 1(a), 2, and 3 include data on the 122 franchisee-owned outlets that were open all 13 months of the Reporting Period, and excludes 10 franchisee-owned outlets that operated their studios for less than 13 months in the Reporting Period either due to the fact that these outlets either opened or permanently closed during the Reporting Period.

There were 6 company-owned outlets open and operating in the U.S. during the Reporting Period. Charts 1(b) and 2 include data on all 5 company-owned outlets that were open all 13 months of the Reporting Period and excludes 1 company-owned outlet that operated its studio for less than 13 months in the Reporting Period due to the fact that the outlet temporarily closed during the Reporting Period.

All franchisee-owned outlets and company-owned outlets for which data is presented in this Item 19 are called “Reporting Units.”

## Gross Revenue

Gross Revenues means the total of all receipts derived from all sales of products or services at or through a Reporting Unit; insurance claims for lost profits to the extent a claim is paid by the insurer; and all other products and services sold or provided by or through the Reporting Unit, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, payment coupons, services, property or other means of exchange.

Gross Revenue does not include: the amount of any tax imposed by any governmental authority directly on sales collected from customers, provided that the amount of any such tax is shown separately and in fact paid by the Reporting Unit to the appropriate governmental authority. Gross Revenues are deemed received by a Reporting Unit at the time the services or products from which they were derived, delivered, or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer's personal check) actually has been received by the Reporting Unit.

Gross Revenue data used for purposes of the calculations presented in this Item 19 was obtained for each Reporting Unit from our required point-of-sale software system. However, assumptions were made for franchisees who own more than one outlet, because our required point of sale software system aggregates revenue generated from online sales across all outlets under common ownership. To attribute Gross Revenue for a Reporting Unit owned by a franchisee who owns multiple Reporting Units, the combined revenue attributed to service (not product) revenue for all Reporting Units under such common ownership was multiplied by the percentage of customers attending classes at the particular Reporting Unit relative to the total number of customers attending classes at all commonly owned Reporting Units during the Reporting Period; the product of that equation was then attributed to the Reporting Unit.

Because franchisee-owned Reporting Units may have one or two classrooms, charts 1(a) first report figures for those Reporting Units with one classroom, then for those Reporting Units with two classrooms, and then for all Reporting Units combined. Of these Reporting Units with one classroom, the student capacity of such classrooms ranges from 21 to 30 per class. Of these Reporting Units with two classrooms, the student capacity in the first classroom ranges from 21 to 30 per classroom and the student capacity in the second classroom ranges from 8 to 15 per class; however, many studios were not operating the second classroom during the reporting period.

### **Chart 1a: Gross Revenue for Franchisee-Owned Reporting Units in the Reporting Period**

The below chart shows the monthly average Gross Revenue, median Gross Revenue, minimum Gross Revenue, and maximum Gross Revenue for the franchisee-owned Reporting Units over the Reporting Period. The chart also shows the number and percentage of franchisee-owned Reporting Units in the group that achieved or surpassed the reported average Gross Revenue during the Reporting Period month.

<b>Calendar Month</b>	<b>Number of Franchisee-Owned Reporting Units</b>	<b>Average Gross Revenue</b>	<b>Median Gross Revenue</b>	<b>Min. Gross Revenue</b>	<b>Max. Gross Revenue</b>	<b>Number and % that Achieved Average*</b>
<b>One Room Studios</b>						
Jan-22	115	\$19,474	\$18,549	\$4,169	\$47,666	52 (45%)
Feb-22	115	\$20,618	\$19,171	\$4,823	\$51,540	53 (46%)
Mar-22	115	\$29,760	\$19,884	\$6,216	\$52,677	23 (20%)

Calendar Month	Number of Franchisee-Owned Reporting Units	Average Gross Revenue	Median Gross Revenue	Min. Gross Revenue	Max. Gross Revenue	Number and % that Achieved Average*
April-22	115	\$28,114	\$26,188	\$5,706	\$74,059	49 (43%)
May-22	115	\$21,196	\$19,521	\$5,079	\$49,688	51 (44%)
Jun-22	115	\$21,280	\$19,882	\$5,773	\$44,102	52 (45%)
Jul-22	115	\$24,229	\$22,363	\$5,231	\$63,367	48 (42%)
Aug-22	115	\$20,921	\$19,718	\$6,021	\$43,329	52 (45%)
Sep-22	115	\$22,068	\$21,019	\$4,715	\$49,397	51 (44%)
Oct-22	115	\$23,596	\$21,943	\$5,092	\$56,145	48 (42%)
Nov-22	115	\$31,727	\$27,634	\$6,528	\$88,879	49 (43%)
Dec-22	115	\$25,382	\$22,982	\$4,264	\$56,048	48 (42%)
Jan-23	115	\$24,969	\$22,911	\$5,387	\$58,273	46 (40%)
Two Room Studios						
Jan-22	7	\$35,780	\$37,372	\$29,186	\$44,571	4 (57%)
Feb-22	7	\$35,527	\$32,920	\$26,773	\$44,274	3 (43%)
Mar-22	7	\$37,064	\$36,737	\$26,312	\$51,181	3 (43%)
April-22	7	\$52,747	\$48,390	\$32,951	\$71,256	3 (43%)
May-22	7	\$35,127	\$32,170	\$27,276	\$47,692	3 (43%)
Jun-22	7	\$36,557	\$33,611	\$26,230	\$48,731	3 (43%)
Jul-22	7	\$40,611	\$36,784	\$25,576	\$58,139	3 (43%)
Aug-22	7	\$34,582	\$33,880	\$24,036	\$43,431	3 (43%)
Sep-22	7	\$36,185	\$34,408	\$24,331	\$48,068	3 (43%)
Oct-22	7	\$41,671	\$39,314	\$24,331	\$55,631	3 (43%)
Nov-22	7	\$54,997	\$51,584	\$33,514	\$75,543	3 (43%)
Dec-22	7	\$43,916	\$40,096	\$30,022	\$62,562	3 (43%)
Jan-23	7	\$42,669	\$41,204	\$28,485	\$57,599	3 (43%)
All Studios						
Jan-22	122	\$20,410	\$19,167	\$4,169	\$47,666	53 (43%)
Feb-22	122	\$21,474	\$19,904	\$4,823	\$51,540	57 (47%)



Calendar Month	Number of Franchisee-Owned Reporting Units	Average Gross Revenue	Median Gross Revenue	Min. Gross Revenue	Max. Gross Revenue	Number and % that Achieved Average*
Mar-22	122	\$22,518	\$20,745	\$6,216	\$52,677	50 (41%)
April-22	122	\$29,528	\$27,018	\$5,706	\$74,059	47 (39%)
May-22	122	\$21,996	\$20,357	\$5,079	\$49,688	55 (45%)
Jun-22	122	\$22,156	\$20,071	\$5,773	\$48,731	55 (45%)
Jul-22	122	\$25,169	\$23,101	\$5,231	\$63,367	53 (43%)
Aug-22	122	\$21,705	\$20,557	\$6,021	\$43,431	56 (46%)
Sep-22	122	\$22,878	\$21,324	\$4,715	\$49,397	55 (45%)
Oct-22	122	\$24,633	\$22,820	\$5,092	\$56,145	49 (40%)
Nov-22	122	\$33,062	\$28,563	\$6,528	\$88,879	52 (43%)
Dec-22	122	\$26,446	\$23,742	\$4,264	\$62,562	53 (43%)
Jan-23	122	\$25,985	\$23,682	\$5,387	\$58,273	49 (40%)

**Chart 1b: Gross Revenue for Company-Owned Reporting Units in the Reporting Period**

The below chart shows the monthly average Gross Revenue, median Gross Revenue, minimum Gross Revenue, and maximum Gross Revenue for company-owned Reporting Units over the Reporting Period. (company-owned Reporting Units do not have two room studios that operated in the Reporting Period). The chart also shows the number and percentage of company-owned Reporting Units that achieved or surpassed the reported average Gross Revenue during the Reporting Period.

Calendar Month	Number of Company-Owned Reporting Units	Average Gross Revenue	Median Gross Revenue	Min. Gross Revenue	Max. Gross Revenue	Number and % that Achieved Average*
One Room Studios						
Jan-22	5	\$32,295	\$30,208	\$25,756	\$41,796	2 (40%)
Feb-22	5	\$33,679	\$30,212	\$24,597	\$48,296	2 (40%)
Mar-22	5	\$37,802	\$32,632	\$30,231	\$54,217	2 (40%)
Apr-22	5	\$56,771	\$51,702	\$47,426	\$68,494	2 (40%)
May-22	5	\$36,909	\$31,389	\$29,105	\$51,057	2 (40%)
Jun-22	5	\$38,603	\$36,293	\$29,252	\$53,502	2 (40%)
Jul-22	5	\$45,798	\$43,217	\$36,246	\$58,752	2 (40%)

Calendar Month	Number of Company-Owned Reporting Units	Average Gross Revenue	Median Gross Revenue	Min. Gross Revenue	Max. Gross Revenue	Number and % that Achieved Average*
Aug-22	5	\$39,575	\$36,178	\$31,889	\$50,880	2 (40%)
Sep-22	5	\$44,074	\$43,534	\$36,978	\$50,973	2 (40%)
Oct-22	5	\$46,915	\$43,585	\$39,309	\$56,646	2 (40%)
Nov-22	5	\$67,825	\$69,441	\$56,701	\$77,980	3 (60%)
Dec-22	5	\$45,349	\$43,816	\$39,810	\$53,880	2 (40%)
Jan-23	5	\$47,885	\$46,056	\$39,279	\$60,372	2 (40%)

**Chart 2: Gross Revenue Category as Percentage of Total Gross Revenue for Reporting Units in the Reporting Period**

We categorize revenue generated from the sale of services and products at studios in three categories: “non-recurring service revenue,” “recurring service revenue” and “retail revenue.” Chart 2 reports the percentage of each revenue category as compared with the total Gross Revenue receipts for both franchisee-owned and company-owned in the Reporting Period.

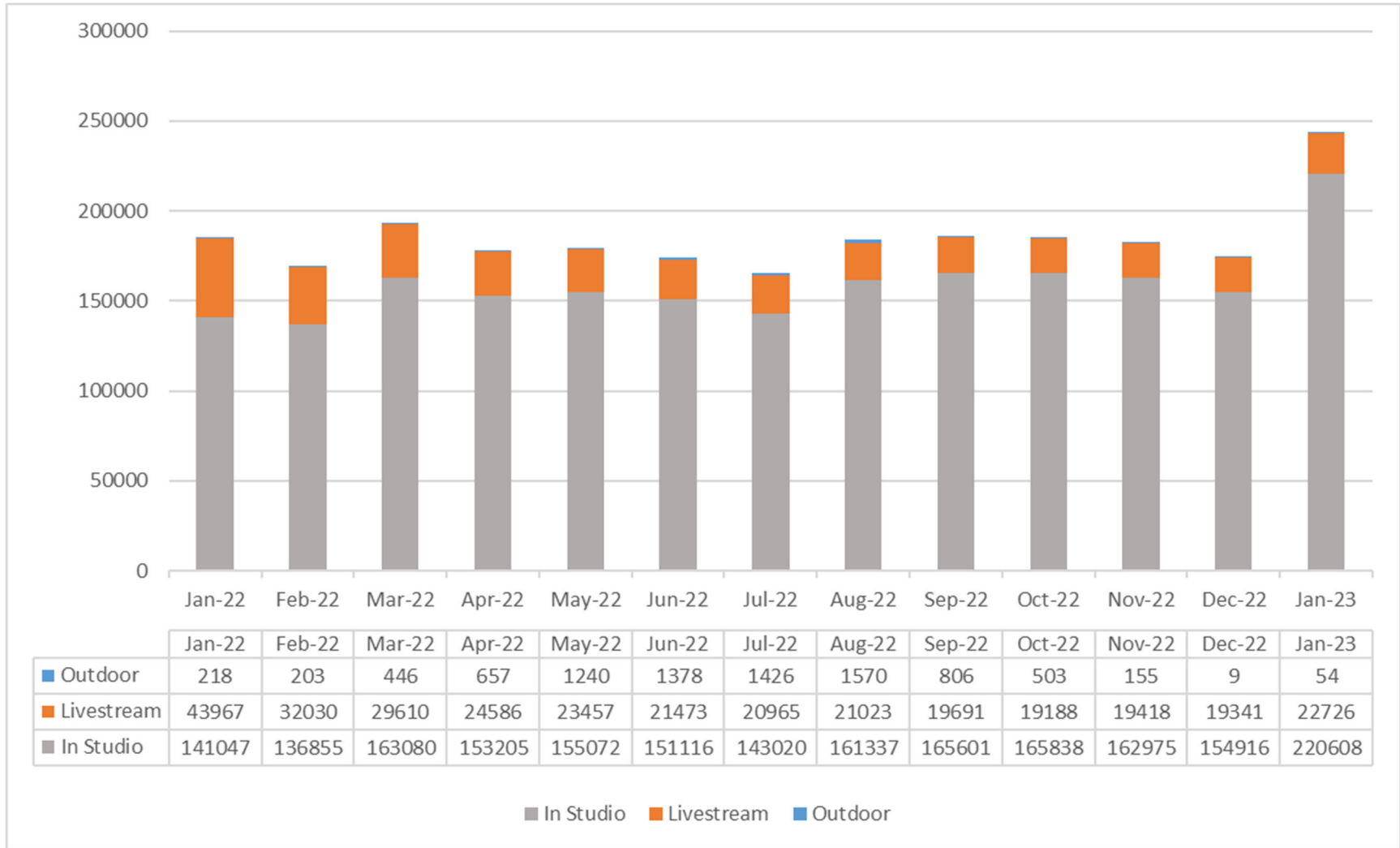
Recurring service revenue means receipts from the sale of services that are sold on a membership basis (e.g. monthly membership) where those memberships automatically renew upon expiration. Non-recurring service revenue means receipts for the sale of classes that are not sold on an automatically recurring basis (e.g. individual class sales). Retail revenue means the sale of retail products at the studio (e.g. athletic apparel). To calculate the percentages reported in Charts 2, the amount of Gross Revenue generated in each revenue category was divided by the total revenue for the appropriate group of Reporting Units.

	Number of Reporting Units	Recurring Service Revenue	Non-Recurring Service Revenue	Retail Revenue	Total
Franchisee-Owned Reporting Units	122	62%	29%	9%	100%
Company-Owned Reporting Units	5	50%	41%	9%	100%
All Reporting Units	127	61%	30%	9%	100%

Attendance by Class Type in Franchisee-Owned Reporting Units

The below chart shows attendance at franchisee-owned Reporting Units by class type on a monthly basis over the Reporting Period. Class types are defined as in-studio (gray), livestream (orange), or outdoors (blue). To calculate the attendance by class type, the number of client visits by each class type for each month during the Reporting Period were added together. The data for these charts come from a third party software that tabulates data from our point-of-sale software system.

**Chart 3: Attendance by Class Type for Franchisee-Owned Reporting Units in the Reporting Period**



**Some outlets have sold the amounts disclosed in this Item 19. Your individual results may vary. There is no assurance that you will earn as much.**

We will provide written substantiation for these financial performance representations to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Harper Kalin, Director of Franchise Operations, B3 Franchising LLC, 25 N. Shaver Street, Portland, Oregon 97227, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2020 to 2022**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised Outlets US	2020	126	132	+6
	2021	132	132	0
	2022	132	126	-6
Franchised International (including Puerto Rico)	2020	10	8	-2
	2021	8	9	+1
	2022	9	8	-1
Company - Owned**	2020	6	6	0
	2021	6	6	0
	2022	6	6	0
Total Outlets	2020	142	146	+4
	2021	146	147	+1
	2022	147	140	-7

\*\*Outlets owned by our affiliates, B3 Studios, B3 PDX, LLC, and B3 NYC Holdings LLC.

**Table No. 2**  
**Transfers of Outlets From Franchisees to New Owners**  
**(Other than the Franchisor or an Affiliate)**  
**For Years 2020 to 2022**

State	Year	Number of Transfers
Alabama	2020	1
	2021	0
	2022	0
Arizona	2020	1
	2021	1
	2022	3
Arkansas	2020	1
	2021	0
	2022	0
California	2020	1
	2021	1
	2022	0
Colorado	2020	0
	2021	1
	2022	1
Kentucky	2020	0
	2021	1
	2022	0
Louisiana	2020	0
	2021	3
	2022	0
Nevada	2020	0
	2021	1
	2022	0
Ohio	2020	1
	2021	0
	2022	0
Oklahoma	2020	1
	2021	0
	2022	0

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Oregon	2020	1
	2021	0
	2022	0
Pennsylvania	2020	0
	2021	0
	2022	1
South Carolina	2020	0
	2021	0
	2022	1
South Dakota	2020	0
	2021	1
	2022	0
Tennessee	2020	2
	2021	0
	2022	0
Texas	2020	0
	2021	2
	2022	0
Washington	2020	2
	2021	1
	2022	1
Total	2020	12
	2021	12
	2022	7

**Table No. 3  
Status of Franchised Outlets  
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Arizona	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	1	5
	2022	5	1	0	0	0	0	6
Arkansas	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	10	0	0	1	0	0	9
	2021	9	2	0	0	0	0	11
	2022	11	0	0	0	0	2	9
Colorado	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	1	5
	2022	5	0	0	0	0	0	5
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
District of Columbia	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	1	0	1	3
Florida	2020	3	1	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	1	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Georgia	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Idaho	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Illinois	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Iowa	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kentucky	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
Louisiana	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Massachusetts	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	1	5
	2022	5	0	0	1	0	0	4
Minnesota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Missouri	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Nevada	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New Jersey	2020	2	1	0	0	0	0	3
	2021	3	2	0	0	0	1	4
	2022	4	0	0	0	0	0	4
New Mexico	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	1	2
	2022	2	0	0	0	0	0	2
North Carolina	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
Ohio	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	1	5
	2022	5	1	0	0	0	0	6
Oklahoma	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Oregon*	2020	5	0	0	0	0	1	4
	2021	4	0	0	0	0	0	4
	2022	4	2	0	0	0	1	5

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Pennsylvania	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	1	9
South Carolina	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
South Dakota	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Texas	2020	9	1	0	0	0	0	10
	2021	10	0	0	0	0	1	9
	2022	9	0	0	0	0	1	8
Utah	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Virginia	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
Washington	2020	11	3	0	0	0	0	14
	2021	14	0	0	0	0	0	14
	2022	14	0	0	0	0	0	14

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Wisconsin	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total US*	2020	126	8	0	1	0	1	132
	2021	132	7	0	0	0	7	132
	2022	132	5	0	2	0	9	126
International (including Puerto Rico)	2020	10	0	0	0	0	2	8
	2021	8	1	0	0	0	0	9
	2022	9	0	0	1	0	0	8

\* Includes one outlet owned by a licensee of our affiliate, B3 Studios.

**Table No. 4**  
**Status of Company-Owned Outlets\*\***  
**For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
New York	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Oregon	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
Total	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6

\*\*Outlets owned by our affiliates, B3 Studios, B3 PDX, LLC, and B3 NYC Holdings LLC.

**Table No. 5**  
**Projected Openings as of December 31, 2022**

State*	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Alabama	2	1	0
Arizona	1	0	0
California	1	1	0
Florida	4	0	0
Idaho	1	0	0
Massachusetts	1	0	0
Minnesota	1	1	0
New Jersey	1	1	0
New York	2	0	0
North Carolina	2	1	0
Ohio	1	0	0
Oregon	2	0	0
South Carolina	1	0	0
Tennessee	3	1	0
Washington	2	0	0
Total	25	6	0

\*In states not listed in Table No. 5, we did not have any franchise agreements signed for outlets not opened, and we have not projected opening any new franchised or company-owned outlets.

The name of each of our current franchisees, including those who have signed franchise agreements but are not yet open, and the address and telephone number of each of their outlets as of the end of our last fiscal year (unless another date is stated on the list) is in Exhibit E. The name and last known city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee within the most recently completed fiscal year who has had an outlet terminated, canceled, not renewed, transferred, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or who has not communicated with us within 10 weeks of the issuance date of this disclosure document, is in Exhibit E.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. Your contact information is also disclosed to prospective buyers while you are a franchisee.

Our affiliate, B3 Studios, operates two studios at the following locations:

1000 N.W. Marshall Street  
Portland, Oregon 97209

2523 S.E. 22nd Avenue  
Portland, Oregon 972024

Our affiliate, B3 PDX, LLC, an Oregon limited liability company, operates three studios at the following locations:

4015 N Williams Avenue  
Portland, Oregon 97227

11805 NW Cedar Falls Drive, Suite 113  
Portland, Oregon 97229

4859 Meadows Road, Suite 167  
Lake Oswego, Oregon 97035

Our affiliate, B3 NYC Holdings LLC, a New York limited liability company, operates one studio at the following location:

63 West 8th Street, 2nd Floor  
New York, New York USA 10011

During the last 3 fiscal years, no current or former franchisees signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

To the extent of our knowledge, there exists one franchisee organization associated with the barre3 franchise system. The name of the organization is the “Barre3 Franchise Advisory Council.” The Barre3 Franchise Advisory Council was created and is administered by us. Its members are elected by franchisees every two years and serve two-year terms. Elected representatives do not receive compensation for serving on the Barre3 Franchisee Advisory Council. There are no bylaws or governing documents related to this organization. The purpose of the organization is to provide a franchisee liaison between franchisees located in the elected representative’s geographic region and us.

## **ITEM 21 FINANCIAL STATEMENTS**

Attached to the disclosure document as Exhibit C are our audited balance sheets as of December 31, 2022 and 2021 and the related statements of operations, members’ equity and cash flows for the years ended December 31, 2022, 2021 and 2020; and interim unaudited financial statements for the period ended June 30, 2023.

## **ITEM 22 CONTRACTS**

Attached are the following agreements proposed for use in connection with our offering of franchises:

The following agreements are attached as exhibits to this disclosure document:

- |            |  |
|------------|--|
| Exhibit B  | Barre3 Franchise Agreement with the following Attachments:   |
|            | A. Description of Search Area  |
|            | B. Description of Authorized Territory   |
|            | C. Guaranty and Assumption of Franchisee's Obligations   |
|            | D. Statement of Franchisee   |
|            | E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages |
|            | F. Nondisclosure and Noncompetition Agreement  |
|            | G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement         |
|            | H. Addendum Only for Franchisees Who Obtain SBA Financing*   |
|            | I. Addenda for Transfers (Resales) and Renewals  |
|            | J. Lease Rider   |
|            | K. Addendum for Conversion and Re-Branding   |
| Exhibit F: | State Specific Addenda to the Disclosure Document  |
| Exhibit G: | Sample Release of Claims   |
| Exhibit H: | Acknowledgment of Receipt of Completed Agreements  |
| Exhibit J: | Receipt  |

\* An SBA Addendum required by the U.S. Small Business Administration ("SBA") amending the franchise agreement and FDD, but only to the extent and for such time such requirements are valid, enforceable and applicable. This SBA Addendum only applies to those franchises in which there is SBA financing and for which it is signed.

## **ITEM 23 RECEIPTS**

The last two pages of this disclosure document contain copies of the acknowledgement of receipt of this disclosure document. One copy is for your records and the other copy is to be signed and returned to us.



**B3 FRANCHISING LLC**

**EXHIBIT A**

**LIST OF REGULATORY AUTHORITIES AND  
AGENTS FOR SERVICE OF PROCESS  
IN CERTAIN STATES**

**EXHIBIT A**  
**NAMES AND ADDRESSES OF STATE REGULATORY AUTHORITIES**  
**AND AGENTS FOR SERVICE OF PROCESS IN CERTAIN STATES**

STATE	STATE REGULATORY AUTHORITY	AGENT FOR SERVICE OF PROCESS
California	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 (866) 275-2677  One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559  www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov	Commissioner of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 (866) 275-2677  One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559  www.dfpi.ca.gov Ask.DFPI@dfpi.ca.gov
Connecticut	Banking Commissioner 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	[Not Applicable]
Florida	Dept of Agriculture & Consumer Services Division of Consumer Services 2005 Apalachee Pkwy. Tallahassee, FL 32399-6500 (850) 410-3800	[Not Applicable]
Hawaii	Business Registration Division Department of Commerce & Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii, Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street Room 203 Honolulu, HI 96813 (808) 586-2722
Illinois	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Securities Division, E-111 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 302 West Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681



STATE	STATE REGULATORY AUTHORITY	AGENT FOR SERVICE OF PROCESS
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021 (410) 576-6360	Maryland Securities Commissioner at the Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2021 (410) 576-6360
Michigan	Consumer Protection Division Michigan Department of Attorney General G. Mennen Williams Building, 1 <sup>st</sup> Floor 525 W. Ottawa Street Lansing, MI 48933 (517) 373-7117	Michigan Department of Consumer and Industry Services Corporations, Securities & Commercial Licensing Bureau P.O. Box 30018 Lansing, MI 48909 2407 N Grand River Ave Lansing, MI 48906 (517) 241-6470
Minnesota	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600	Minnesota Commissioner of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600
Nebraska	Staff Attorney Department of Banking and Finance Commerce Court 1230 "O" Street, Suite 400 Lincoln, NE 68508-1402 (402) 471-3445	[Not Applicable]
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222	New York Secretary of State 99 Washington Avenue Albany, NY 12231 (518) 473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept 414 Bismarck, ND 58505 (701) 328-4712	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept 414 Bismarck, ND 58505 (701) 328-4712
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 97310 (503) 378-4387	[Not Applicable]
Rhode Island	Department of Business Regulation State of Rhode Island Securities Division Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, RI 02920 (401) 222-3048	Director Department of Business Regulation State of Rhode Island Securities Division 1511 Pontiac Avenue John O. Pastore Center Cranston, RI 02920 (401) 462-9588

STATE	STATE REGULATORY AUTHORITY	AGENT FOR SERVICE OF PROCESS
South Dakota	Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, Second Floor Pierre SD 57501 (605) 773-3563	Director, Department of Labor and Regulation Division of Insurance Securities Regulation 124 S Euclid, Second Floor Pierre, SD 57501 (605) 773-3563
Texas	Secretary of State Statutory Document Section 1019 Brazos Austin, Texas 78701 (512) 475-0775	[Not Applicable]
Utah	Division of Consumer Protection Utah Department of Commerce 160 East 300 South Salt Lake City, UT 84111 (801) 530-6601	[Not Applicable]
Virginia	State Corporation Commission Division of Securities and Retail Franchising Ninth Floor 1300 East Main Street Richmond, VA 23219 (804) 371-9051	Clerk, State Corporation Commission 1300 East Main Street, First Floor Richmond, VA 23219 (804) 371-9733
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98501 (360) 902-8760	Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-0448	Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139
Federal Trade Commission	Bureau of Consumer Protection 600 Pennsylvania Avenue, NW Washington, D.C. 20580 (877)-382-4357	[Not Applicable]

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.



**B3 FRANCHISING LLC**

**EXHIBIT B**

**FRANCHISE AGREEMENT**



**B3 FRANCHISING LLC**

**BARRE3 FRANCHISE AGREEMENT**

Franchisee:

Guarantor:

Initial Franchise Fee:

Effective Date:

Franchised Location: \_\_\_\_\_

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
1. GRANT .....	6
2. TERM OF THE AGREEMENT .....	6
3. AUTHORIZED TERRITORY .....	8
4. FEES .....	9
5. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES .....	10
6. SERVICES AND ASSISTANCE.....	13
7. FRANCHISEE’S DUTIES, OBLIGATIONS AND OPERATING STANDARDS.....	15
8. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES .....	23
9. MARKS AND COPYRIGHTED WORKS .....	25
10. ADVERTISING AND PROMOTION .....	28
11. INSURANCE AND INDEMNITY .....	30
12. RELATIONSHIP .....	32
13. RESTRICTIVE COVENANTS.....	33
14. ASSIGNMENT.....	35
15. OPTION TO PURCHASE — RIGHT OF FIRST REFUSAL.....	39
16. DEFAULT AND TERMINATION.....	40
17. CONDEMNATION AND CASUALTY .....	46
18. NOTICES.....	47
19. DISPUTE RESOLUTION .....	47
20. MISCELLANEOUS .....	50
21. COVENANTS, REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS.....	52

### ATTACHMENTS:

- A. Description of Search Area
- B. Description of Authorized Territory
- C. Guaranty and Assumption of Franchisee’s Obligations
- D. Statement of Franchisee
- E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages
- F. Nondisclosure and Noncompetition Agreement
- G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement
- H. Addendum Only for Franchisees Who Obtain SBA Financing
- I. Addenda for Transfers (Resales) and Renewals
- J. Lease Rider
- K. Addendum for Conversion and Re-Branding

## BARRE3 FRANCHISE AGREEMENT

THIS BARRE3 FRANCHISE AGREEMENT is entered into by and between B3 Franchising LLC, an Oregon, limited liability company (“**Franchisor**”) and \_\_\_\_\_ [insert name of entity], a \_\_\_\_\_ [insert jurisdiction, type of entity] (“**Franchisee**”) on the date that the Franchisor signs below (the “**Effective Date**”), as follows:

### RECITALS

- A. Franchisor has developed a System (defined below) of establishing, operating and promoting specialized exercise services, under the brand name “barre3®” or other Marks (defined below), and the retail sale of related merchandise and other related Services (defined below) and Products (defined below) at a location (a “**Studio**”);
- B. Franchisor has the right to operate and to license others to operate Studios using the System;
- C. Franchisee acknowledges the benefits to be derived from being identified with the Marks and the System, and also recognizes the value of uniformity of operation and image to Franchisee, Franchisor, other franchisees, and customers; and,
- D. Franchisee wishes to obtain the right to use the System and the Marks, and wishes to be assisted and trained, to operate a Studio (referred to as “**the Studio**” in this Agreement), subject to the terms and conditions contained in this Agreement.

The parties agree as follows:

### DEFINITIONS

For the purposes of this Agreement, the following are hereby defined:

“**Acquisition Documents**” – means either Franchisee’s lease as well as Franchisor’s Lease Rider attached hereto at **Attachment J** or Franchisee’s purchase contract for the Franchised Location.

“**Affiliates**” - means any individual or legal entity (defined below) that controls, is controlled by, or is in common control with, Franchisor or Franchisee.

“**Agreement**” - means this agreement and all attachments, addenda and exhibits hereto. This Agreement also includes the Manuals that are referenced herein as further explained below.

“**Authorized Territory**” – means the geographic area surrounding the Franchised Location as described in **Attachment B**, and further subject to the limitations and exceptions in this Agreement.

“**Change of Control**” - means a transaction or series of related transactions that result in the transfer of: (i) substantial assets of the Studio; (ii) any of the outstanding voting or equity interest of Franchisee or a Franchisee Affiliate, whether voluntarily or by operation of law; or (iii) the right to appoint, or cause to be appointed, a majority of the directors, officers or managers of the legal entity.

“**Competitive Business**” - means any business offering (i) specialized exercise services and products which may combine the techniques of Pilates, dance, yoga, functional training and other athletic disciplines, taught with equipment which may include a ballet barre, mini-balls, hand weights, elastic bands, yoga mats and/or other similar equipment, offered in person or online; or (ii) the retail sale of athletic

apparel, exercise props, and other products used in connection with such exercise, or (iii) any other products or services competing with those offered by Studios.

**“Computer Systems”** – means computers, mobile smart devices, smart processors in hardware including point of sale devices, software and related hardware, and systems to access the Internet.

**“Confidential Information”** - means Franchisor’s Trade Secrets (defined below), standards and specifications for offering, selling and providing the Services and Products, copyrighted materials, price marketing mixes related to Products and Services sold by Studios, the Manuals, Customer Data, databases, marketing techniques and Internet advertising strategies, and other methods, techniques and know-how that may be communicated to Franchisee or of which Franchisee may be apprised of. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

**“Copyrighted Materials”** – means all materials, including, all artwork and designs, created by Franchisor, and used with the Marks or in association with the Studio.

**“Customer Data”** – means all customer information that Franchisee or Franchisor collects, creates, or stores, including customer names and addresses, credits extended to customers, discounts given to customers, and customer purchasing histories.

**“Designated Owner”** – means an owner of Franchisee, if Franchisee is an entity, who is appointed by the Franchisee and approved by Franchisor to handle the day-to-day management and operations of the Studio.

**“Final Approval”** – is defined in Section 7.1(a)(iv) of this Agreement.

**“Franchised Location”** - means the premises from which Franchisee operates the Studio, or any other location as may be mutually agreed upon between Franchisor and Franchisee in writing.

**“Gross Revenues”** - means the total of all receipts derived from all sales of Products or Services at or through the Studio or through the Studio’s employees; insurance claims for lost profits to the extent a claim is paid by the insurer; and all other products and services sold or provided by or through Franchisee or the Studio, whether the receipts are evidenced by cash, credit, checks, gift certificates, scrip, payment coupons, services, property or other means of exchange. Gross Revenues do not include:

- (1) the amount of any tax imposed by any governmental authority directly on sales collected from customers, provided that the amount of any such tax is shown separately and in fact paid by Franchisee to the appropriate governmental authority;
- (2) customer refunds and credits made by the Studio which are issued pursuant to Franchisor’s standard policy and specifications (exclusions will not include any fees incurred in collecting funds); and,
- (3) contributions made to charities qualified by Franchisor, provided that such contributions meet the guidelines and do not exceed the limitations set forth in the Manuals.

Gross Revenues are deemed received by Franchisee at the time the Services or Products from which they were derived, delivered or rendered or at the time the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer’s personal check) actually has been received by Franchisee. Gross Revenues consisting of property or services shall be valued at the retail prices applicable and in effect at the time that they are received.

**“Incapacity”** - means the inability due to unavoidable medical reasons to devote full time attention to the duties of Franchisee, due to a cause that continues for at least 90 days in the aggregate during any rolling 12-calendar month period during the Term, based upon the examination and findings of a physician selected by a hospital located within 20 miles of the Franchised Location, as mutually selected by Franchisor and Franchisee. A period of Incapacity shall continue without interruption unless and until the person suffering the Incapacity resumes his or her duties on a full time basis for 30 consecutive days.

**“Including” and “Includes” and synonyms**– when followed by a list shall mean without any limitation to the items set forth in the list.

**“Internet”** – means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use the Marks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

**“Instructor(s)”** – means those of Franchisee’s employees who will provide barre3® class instruction at the Studio.

**“Instructor Mentor”** – means the person designated by Franchisee and approved by Franchisor to be responsible for Instructor recruitment, auditions, quality control of class instruction at the Studio, as well as training before and after Franchisor’s Instructor Training Program. The initial Instructor Mentor must satisfactorily complete the Instructor Mentor Training Program. Any new Instructor Mentor must satisfactorily complete Franchisor’s self-guided Instructor Mentor Training Program available on Franchisor’s learning management system, unless Franchisee and Franchisor offer to provide the new Instructor Mentor with in-person training.

**“Instructor Mentor Selection Deadline”** – means the date by which Franchisee must obtain approval of the Instructor Mentor selected by Franchisee. The Instructor Mentor Deadline is thirty (30) days after Franchisee executed a lease or entered into purchase agreement for the Franchised Location.

**“Instructor Mentor Training Deadline”** – means the deadline by which the initial Instructor Mentor must complete the Instructor Mentor Training Program, which deadline is four (4) months before Franchisee begins Studio operations.

**“Instructor Mentor Training Program”** – means the mandatory training program provided to the person who will serve as the Instructor Mentor at the Studio.

**“Instructor Training Deadline”** – means the deadline by which initial Instructors must complete the New Instructor Training Program, which deadline is 30 days before Franchisee begins Studio operations.

**“Intellectual Property”** – means collectively, the Marks, Confidential Information, Copyrighted Materials, Trade Secrets, patents or property subject to a patent pending application.

**“Manuals”** – means, collectively, all directives, books, pamphlets, bulletins, memoranda, forms, letters, e-mail, Internet or Intranet data, or communications, in whatever form (including electronic form) prepared by or on behalf of Franchisor setting forth information, advice, standards, instructions or policies relating to the Studio or the franchises, as they may be added to, deleted or otherwise amended by Franchisor from time to time. The Manuals, as amended from time to time, are the exclusive property of Franchisor.



**“Marks”** - shall mean the trademark **“barre3®”** to the extent of Franchisor’s rights to the same, together with such other trade names, trademarks, symbols, logos, distinctive names, service marks, certification marks, domain names, logo designs, trade dress, insignia, commercial symbols and other indicia now or hereafter used or intended to be used or hereafter used in connection with the System, which may be designated by Franchisor from time to time as part of the System for use by Franchisees, and not thereafter withdrawn, and any and all revisions, modifications and additions thereto, whether or not recorded or registered with any agency or registrar.

**“New Instructor Training Program”** – means the mandatory training program provided to each person who will provide barre3® class instruction at the Studio.

**“Operations Deadline”** - means the deadline by which Franchisee must satisfy all pre-opening obligations under this Agreement, including, those set forth in Section 7.1 below, begin operations of the Studio and offering the Services and Products from the Franchised Location. The Operations Deadline is 365 days after the Effective Date.

**“Operations Manager”** – means the person designated by Franchisee and approved by Franchisor to manage the Studio. Operations Manager and any new Operations Managers must satisfactorily complete the Operator Training Program.

**“Operator Training Deadline”** – means the deadline by which Franchisee, or if Franchisee is an entity, its Designated Owner, and if applicable, the initial Operations Manager, must complete the Operator Training Program, which deadline is 30 days before Franchisee begins Studio operations.

**“Operator Training Program”** – means the training provided to Franchisee, or if Franchisee is an entity, its Designated Owner, and if applicable, the Operations Manager, before the commencement of operations.

**“Preliminary Approval”** - means Franchisor’s acceptance of the Franchised Location, subject to zoning approval and satisfaction of other state and local requirements and subject to Franchisor’s Final Approval of Franchisee’s Acquisition Documents.

**“Premises Deadline”** – means the date by which Franchisee must have received Preliminary Approval and Final Approval from Franchisor on the proposed Franchised Location and (i) executed a lease that must incorporate Franchisor’s required terms provided in Section 7.1(a)(ii) below and attached in the Lease Rider at **Attachment J**, or (ii) executed a purchase contract and closed on the purchase of the Franchised Location. The Premises Deadline is 120 days after the Effective Date.

**“Products”** - means all products, goods and merchandise that Franchisor authorizes or requires to be sold by Franchisee or through the Studio.

**“Prop(s)”** – means devices and equipment, including exercise balls, mats, bands, straps and sliders that will be used by Franchisee’s customers in classes taught at the Studio.

**“Records”** - means all records, documents, databases and the like (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, and purchase records of customers, vendor records and all other records contained in databases created and maintained by Franchisee pertaining to the Studio, including, customers, employees, vendors and other service professionals.

**“Services”** - means specialized exercise services, which services: (i) are provided out of a fixed store location under the brand name “barre3®” using the System in association with the Marks, and (ii)

consist of exercise classes using a ballet barre in combination with other equipment and incorporating ballet, Pilates and yoga techniques, as well as the retail sale of exercise merchandise, equipment and assorted other exercise related services and Products specified by Franchisor.

**“System”** – means Franchisor’s proprietary methods and resources for establishing, developing, and operating a Studio, and includes Franchisor’s unique and valuable know-how, techniques, information, methods, standards and specifications, sources, designs, Trade Secrets (defined below), Manuals, methods of usage of the Marks and Copyrightable Works, confidential electronic and other communications, methods of Internet usage, marketing programs, technology programs, supplier programs, and research and development connected with the operation and promotion of a Studio; all as may be developed or modified by Franchisor at any time. Without limiting the previous sentence, the System includes: (a) standards and specifications for offering, selling, and providing the Services and Products authorized for sale by Franchisor; (b) standards and specifications for the equipment, furniture, and fixtures, and the general layout of a Franchised Location; (c) interior and exterior designs, décor and color schemes; (d) sales techniques; (e) merchandising, marketing, advertising, and inventory management systems; and, (f) general procedures for operating a retail exercise business. Franchisor expects that changes to technology, laws and markets will result in changes that Franchisor will make to the System, and Franchisor reserves the right to modify the System at any time. All such modifications become Franchisor’s property. Franchisor also has the sole right to enforce and grant variances from the System.

**“Trade Secrets”** – means all information, including all formulas, patterns, compilations, programs, devices, methods, techniques or processes, related to the System (including Franchisor’s choreographed sequences and variations, music and play lists and safety procedures) that both derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

**“Transfer”** – means a transaction or series of related transactions that, directly or indirectly, voluntarily, involuntarily or by operation of law: (i) result in the sale, sub-franchise, merger, conveyance, sharing, subdivision, assignment, transfer, pledge, gift, encumbrance or alienation of any interest in this Agreement or the right to use the System or any portion or components; (ii) involves the offer to sell securities or ownership of a Franchisee; (iii) results in a Change of Control; or (iv) a disposition of a substantial portion of the assets of the Franchisor or Franchisee outside the ordinary course of business. For purposes of illustration, Transfer includes: (a) an order dissolving the marriage of a Franchisee that is an individual; (b) the issuance of additional equity or voting interests of a legal entity resulting in a Change of Control; (c) a financial restructuring or recapitalization that is secured by a sufficient number of equity or voting interests of a legal entity such that, if foreclosed upon, would result in a Change of Control; or (d) the death or Incapacity of Franchisee if an individual or any person owning enough equity or voting interests of a legal entity to result in a Change of Control.

## **1. GRANT**

1.1 Subject to this Agreement, Franchisor hereby grants to Franchisee, and Franchisee accepts, for the Term of this Agreement, the right to use the Marks and the System solely in connection with the Studio at the one Franchised Location within the Authorized Territory.

1.2 Franchisee recognizes that variations from and additions to the System may be made by Franchisor from time to time in order to preserve or enhance the System. Franchisor expressly reserves the right to add to, subtract from, revise or change any part of the System. Franchisee agrees to promptly comply with any such change and to make such expenditures as may be necessary to comply, subject to the terms of Section 7.8.

1.3 Franchisee recognizes that the rights that are granted to Franchisee are for the specific Franchised Location and cannot be transferred to an alternative Franchised Location without the prior written approval of Franchisor. If Franchisee elects to move or relocate the Franchised Location at any time during the Term, Franchisee must submit information about the proposed Franchised Location to Franchisor for approval pursuant to the terms of Section 7.1 and other provisions of this Agreement. During any period of Studio closure due to relocation, Franchisor may require Franchisee to pay the Royalty Fee based on the average of the prior 12 months' Gross Revenues. Franchisee will also be required to host a grand opening event to promote the new Franchised Location.

1.4 This Agreement authorizes Franchisee to engage only in the sale of authorized Products and Services to customers through the Studio and at the Franchised Location. Nothing in this Agreement gives Franchisee the right to offer or sell Products or Services of any kind, including, authorized gift cards, via the Internet (e.g. through flash sale sites including Groupon and Gilt City, third party sites, social media accounts, or otherwise), by mail order, catalog sales or comparable methods, or to engage in wholesale sales or distribution, all of which are reserved exclusively to Franchisor. Franchisee will not independently market on the Internet, or use any domain name, address, locator, link, metatag or search technique, with words or symbols similar to the Marks without Franchisor's prior written approval. Franchisor intends that any Franchisee Internet site be accessed only through Franchisor's home page. Franchisee will provide Franchisor with content for Franchisor's Internet marketing, and will sign Internet and intranet usage agreements, if any. Franchisee's Internet marketing will be solely for the purpose of publicizing the Services and not for the sale of Products.

## 2. TERM OF THE AGREEMENT

2.1 This Agreement shall commence upon the Effective Date, and it shall continue for a period of the longer of: (i) ten (10) years from Effective Date or (ii) ten (10) years from the commencement date of the lease for the Franchised Location (the "**Term**"). Franchisee shall have the option to renew the Agreement for one additional term of five (5) years (the "**Renewal Term**"), subject to Franchisee's compliance with the following renewal conditions:

(a) Franchisee has been in substantial compliance with the Agreement throughout the Term, has not received three or more notices of default during any 24-month period during the Term, and is not in default at the time the Renewal Term is to commence;

(b) Franchisee has provided Franchisor with written notice of intent to renew not less than 13 months or more than 18 months before expiration of the Term. Failure to give timely notice of Franchisee's intention to renew will be deemed an election not to renew this Agreement. If Franchisor does not intend to allow Franchisee to renew as allowed by this Agreement it will give Franchisee written notice at least 12 months before expiration of the term stating the grounds for the non-renewal. However, Franchisor may terminate this Agreement at any time including within 12 months of expiration of the Agreement if it has grounds to do so as provided elsewhere in this Agreement;

(c) Franchisee has satisfied all payment obligations to Franchisor, Franchisor's Affiliates and to Franchisee's trade creditors;

(d) Franchisee has demonstrated to Franchisor's satisfaction that Franchisee has the right to continue operations from the Franchised Location for the duration of the Renewal Term, or, if Franchisee is unable to continue operations from the Franchised Location, that Franchisee has secured a substitute location which Franchisor has approved in writing in conformance with Section 7.1(a);

(e) Franchisee upgrades the Franchised Location to Franchisor's then-current standards, including all Computer Systems (which will not count towards the Minimum Modernization Amount set forth in Section 7.8); Franchisee provides proof that it has obtained and maintained all necessary licenses and permits to continue operation of the Studio; and Franchisee, its Operations Manager, if applicable, its Instructor Mentor and all Instructors participate in any renewal training or re-training program as required by Franchisor;

(f) Franchisee or its owners have (i) provided Franchisor with any reasonably requested financial information, (ii) executed a new personal guaranty, and had any spouse or legal domestic partner do so, and (iii) executed a general release in a form satisfactory to Franchisor of all claims Franchisee may have against Franchisor, its Affiliates and their respective officers, directors, members, shareholders, agents, and employees, whether in their legal entity or individual capacities;

(g) Franchisee has paid a renewal fee in the amount of 25% of the then-current Initial Franchise Fee ("**Renewal Fee**") and has executed and returned to Franchisor the then-current form of Franchise Agreement and any associated agreements and documentation; and,

(h) If at the time of the renewal, Franchisor is not offering franchises in the United States, or is not able by law to offer its then-current form of renewal franchise agreement to Franchisee, then the existing Franchise Agreement will be extended for a period of one year. If at the end of the one-year extension, Franchisor still has not offered franchises in the United States, or is still not able by law to offer its then-current form of renewal franchise to Franchisee, the franchise agreement will expire, unless further extended by mutual consent.

2.2 To renew, Franchisee must execute Franchisor's then-current form of Franchise Agreement, which will supersede this Agreement and may contain materially different terms including requiring the payment of additional or different fees to Franchisor. Franchisee must also sign the renewal addendum attached to the new Franchise Agreement. Franchisor may at its option waive these requirements, and may instead allow Franchisee to renew by assuming the original franchise agreement, in which case the parties will sign Franchisor's form of an assumption and mutual release agreement, which will extend the term for one five-year term. Notwithstanding the above, Franchisee shall not be required to pay the Initial Franchise Fee stated in the new Franchise Agreement, but will instead pay the Renewal Fee provided in Section 2.1(g) of this Agreement. IN FRANCHISOR'S SOLE DETERMINATION, FRANCHISEE'S FAILURE TO DELIVER THE FRANCHISE AGREEMENT, PERSONAL GUARANTY AND RELEASE REQUIRED BY THIS SECTION 2, WITHIN 30 DAYS AFTER FRANCHISOR DELIVERS THEM TO FRANCHISEE FOR EXECUTION WILL BE DEEMED AN ELECTION BY FRANCHISEE NOT TO RENEW.

2.3 If any renewal condition is not timely satisfied, this Agreement will expire on the last day of the Term without further notice from Franchisor; provided, however, Franchisee will remain obligated to comply with all provisions of this Agreement which expressly, or by their nature, survive the expiration or termination of this Agreement.

### 3. AUTHORIZED TERRITORY

3.1 Upon execution of this Agreement, Franchisor will assign Franchisee a defined geographic search area within which Franchisee may seek and identify potential sites for the Studio (the "**Search Area**"), and describe the Search Area on **Attachment A** to this Agreement. Franchisee will thereafter use reasonable and diligent efforts to identify a proposed site within the Search Area for the Studio and submit it to the Franchisor for approval well before the Premises Deadline. The Search Area will have no exclusivity and Franchisor reserves the right to sell franchises to others who seek to operate a Studio in and

around the Search Area. If Franchisor approves another franchisee's Studio site and grants that franchisee a protected territory that overlaps with the Search Area, Franchisee will be required to identify a proposed site for the Studio in the Search Area that is outside the protected territory granted to the other franchisee. A written request for a change of the Search Area may be submitted to Franchisor, and will be approved if mutually-agreeable sites are not available in the original Search Area. In such case, Franchisor will designate any new Search Area.

3.2 At such time that Franchisor approves a site for the Studio, Franchisor and Franchisee will attempt to identify a mutually-agreeable Authorized Territory description. If Franchisor and Franchisee cannot agree on the Authorized Territory, Franchisor has the right to determine the Authorized Territory in its sole discretion. Once the Authorized Territory is determined, Franchisor will include on **Attachment B** to this Agreement a description and/or map of the Authorized Territory. Franchisee must operate the Studio within the Authorized Territory and at the approved Franchised Location, and Franchisee will not move the Franchised Location without Franchisor's prior written consent.

3.3 After Final Approval of the Franchised Location and determination of the Authorized Territory, and for so long as Franchisee is in compliance with all of its obligations hereunder, and subject to Franchisor's reservation of rights as set forth in Section 3.4 below, neither Franchisor nor any Affiliate will establish a Studio or will franchise to a third party the right to develop a Studio within the Authorized Territory. The boundaries of the Authorized Territory may overlap with a territory Franchisor grants to another franchisee, and may be adjacent to a Franchisor Studio or to a Franchisor-affiliate owned Studio, so long as no other Studio is located within the boundaries of the Authorized Territory. Except as otherwise specifically provided in this Agreement, this Agreement does not otherwise restrict Franchisor or its affiliates.

3.4 Franchisor and its Affiliates retain the exclusive right, among others:

(a) to use the Marks and System to sell Products and Services through channels of distribution other than a standalone retail studio, including wholesale distribution of Products and Services, direct marketing, co-branding with hotels, clubs, schools and other facilities at any location including in the Authorized Territory;

(b) to provide training courses and special programming at fitness clubs, ballet, Pilates and yoga studios located within the Authorized Territory without compensation to Franchisee;

(c) to provide barre3® instructional courses and sell merchandise and apparel through the Internet, including the B3 Online website, and to provide classes, workshops or courses through programs broadcast in the Authorized Territory; however, Franchisor may in its sole discretion permit Franchisee to sell subscriptions to the B3 Online website through its studio;

(d) to acquire, be acquired by, or merge with another similar or competing business, regardless of the location of competing studios in the Search Area or Authorized Territory or their impact on the Studio;

(e) to use the Internet, whether using the Marks or not. Franchisor retains the sole right to market and to conduct business on the Internet and use the Marks on the Internet;

(f) to operate a Studio at any location outside the Authorized Territory, and to license or franchise others to operate a Studio at any location outside the Authorized Territory, and to have the boundaries of the Authorized Territories overlap, provided that no other Studio is located within the boundaries of the Authorized Territory, regardless of proximity among Studios or their impact on the Studio; and

- (g) to engage in any other activity not expressly prohibited in this Agreement.

#### 4. FEES

4.1 Franchisee will pay Franchisor \$50,000 as the Initial Franchise Fee. If Franchisee or an entity you control purchases more than one franchise, the fee for each additional franchise is \$41,250. In deciding control for purposes of determining whether an entity qualifies for the reduced franchise fee, we look to see whether a majority ownership of the entity are existing franchisees. The Initial Franchise Fee must be paid in a lump sum at the time Franchisee executes this Agreement, net of all withholding or other taxes. The Initial Franchise Fee is fully earned and non-refundable upon payment by Franchisee to Franchisor. The Initial Franchise Fee is allocated for tax purposes 50% to services, and 50% to grant of territorial rights and other intangibles.

4.2 If Franchisor determines at any time, in its sole discretion, that Franchisee or any of its Instructors are required to retake any training program or to participate in additional training as provided in Section 6.2(e) below, Franchisee will be required to pay Franchisor the then-current fees for such training. The Initial Franchise Fee, Renewal Fee, Transfer Fee, and any additional and retraining fees, are payable by means of cashier's check, ACH, money order or wire transfer, or if Franchisor permits, by credit card, and will be deemed to have been fully earned by Franchisor and nonrefundable whether paid in full or in part when paid.

4.3 If Franchisee elects to begin offering services after satisfactory completion of the New Instructor Training Program, but prior to the opening of the Studio at the Franchised Location, Franchisee will pay Franchisor a monthly royalty equal to 6% of the total amount of its Gross Revenues generated from or through its Studio. Starting upon the commencement of Studio operations at the Franchised Location and at all times thereafter, Franchisee will pay Franchisor a monthly royalty equal to 6% of the total amount of its Gross Revenues generated from or through its Studio, or \$850 per month, whichever amount is greater ("**Royalty Fee**"). The Royalty Fee will be payable to Franchisor monthly, due on the 10<sup>th</sup> day of each month, or such other period as required by Franchisor. The Royalty Fee will be paid net of any withholding or other tax. The Royalty Fee will be allocated for tax purposes 50% to services, and 50% to use of intellectual property and other intangibles. Franchisee will not subordinate to any other obligation its obligation to pay the Royalty Fee or any other fee or charge hereunder.

- (a) Each Royalty Fee payment is nonrefundable.

(b) Each Royalty Fee payment must be accompanied by a statement of the previous month's Gross Revenues on a form and in a manner approved by Franchisor as set forth in Section 5.

(c) Franchisee must maintain a separate bank account for the deposit of all Gross Revenues generated by the Studio and will deposit all revenues collected into such bank account within one to two business days of receipt. Before commencing operations, Franchisee must provide Franchisor with Franchisee's bank name, address and account number, and a voided check from the bank account. Franchisee will remit fees and other amounts due to Franchisor hereunder via electronic funds transfer ("**EFT**") or other similar means utilizing a Franchisor approved Computer Systems or otherwise pursuant to the procedures set forth in the Manuals from time to time. Franchisee will make funds available to Franchisor for withdrawal by EFT no later than the due date for payment thereof. If Franchisee has not timely reported its Gross Revenues to Franchisor for any reporting period, then Franchisor shall be authorized, at Franchisor's option, to debit Franchisee's account in an amount equal to (i) the fees transferred from Franchisee's account for the last reporting period for which a report of the Gross Revenues was provided to Franchisor as required hereunder or (ii) the amount due based on information retrieved from Franchisor's

approved Computer Systems. When paying from a foreign bank account all payments are due in U.S. dollars via wire transfer.

(d) If any sales, income, excise, use, privilege or similar tax or assessment is imposed or levied by any taxing authority based on the payments of royalties or any other fees by Franchisee under this Agreement, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment directly or reimburse Franchisor for the payment of such amount. This provision does not apply to any income taxes imposed on Franchisor's net income.

4.4 Franchisee will not withhold payment due to Franchisor under any circumstance including alleged nonperformance by Franchisor of its obligations hereunder. Franchisee will also not have any right of offset.

4.5 If Franchisee relocates the Franchised Location or Authorized Territory at any point during the Term, Franchisee will pay Franchisor Royalty Fees during any period of closure due to relocation. The Royalty Fees due during this period will be the monthly average of Royalty Fees paid to Franchisor during the immediately preceding 12 months of operations.

4.6 Prior to the commencement of operations of the Franchised Location, Franchisee shall pay Franchisor or its Affiliates a one (1) time fee representing the purchase price for approved and required Props to be used in the operation of the Studio (the "**Branded Opening Props**"). Items shipped to Franchisee in connection with the Branded Opening Props are not returnable and costs are non-refundable.

4.7 Upon execution of this Agreement, Franchisee shall also pay Franchisor \$5,000 which shall be used by Franchisor to conduct a digital media marketing campaign to advertise the opening of the Studio shortly before the opening date and shortly thereafter. Franchisee must host a grand opening event to promote the Franchised Location (and any relocation), unless Franchisor waives this requirement in writing. This event will generally be held at the Franchised Location between the first month and fourth month of operations. In addition to the \$5,000 paid to Franchisor for the digital media marketing campaign, Franchisee must spend at least \$10,000 on the grand opening event according to Franchisor's standards, including additional advertising and promotions, and Franchisee must provide receipted documentation to Franchisor of such expenditures.

4.8 All payments to be made by Franchisee to Franchisor will be exclusive of any sales tax, use tax, VAT tax, goods and services tax, withholding tax, or any other similar tax, assessment or other governmental charges, however designated.

## **5. ACCOUNTING, RECORDS, AUDITS AND LATE PAYMENT CHARGES**

5.1 Franchisee's accounting and recording system must include data collection and tracking mechanisms reflecting each operational aspect of the Studio including uniform reports and charts of account together with such additional information as Franchisor may request. Franchisee must use the accounting system required by Franchisor, which currently is the U.S. generally accepted accounting principles, unless otherwise approved in writing. Franchisee must prepare and submit to Franchisor on a current basis, complete and accurate records concerning all financial, marketing and other operating aspects of the Studio conducted under this Agreement. Franchisee's records must include tax returns, statements of Gross Revenues, profit and loss statements, balance sheets and cash flow statements. On or before the 5<sup>th</sup> day of each month (or other deadline set by Franchisor from time to time), Franchisee must prepare and submit to Franchisor statements of Gross Revenue for the immediately preceding month. On or before the 15<sup>th</sup> day of each month (or other deadline set by Franchisor from time to time), Franchisee must prepare and submit to Franchisor profit and loss statements for the immediately preceding month. Balance sheets and cash flow statements must be provided to Franchisor upon Franchisor's request. Franchisor may assess interest and

the late report fee described in Section 5.8 below for reports submitted after the deadlines set forth above. Franchisor will have the right to retrieve and review financial, customer, vendor, inventory and any other communications or operational information for Franchisee's Studio through Franchisor's required Computer Systems, including software and email client, at any time, electronically or via other remote means and Franchisee hereby grants Franchisor authority to do so. Franchisee will promptly comply with Franchisor's request for any additional information. Notwithstanding the foregoing, Franchisor will not intentionally access information regarding Franchisee's employee scheduling or compensation levels or structure.

5.2 Franchisee must keep its financial books and records as Franchisor may from time to time direct in the Manuals or otherwise, including the retention of all invoices, order forms, payroll records, cash register tapes, check records, bank deposit receipts, sales tax records, refunds, cash disbursements, journals, and general ledgers. Franchisee will advise Franchisor of the location of all original documents and will not destroy any records whether in tangible or electronic form without the prior written consent of Franchisor.

5.3 Franchisee will submit to Franchisor, current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research and performance data on any operational aspect of the Studio. On or before May 15 of each year, Franchisee must provide Franchisor with a copy of its income tax returns for the previous tax year.

5.4 All reports submitted to Franchisor pursuant to this Agreement must be executed by Franchisee or a duly authorized representative of Franchisee, certifying that the information provided in such report is true and correct and that no material fact has been omitted which is necessary in order to make the information disclosed not misleading.

5.5 Franchisee will keep all records and reports for six years from the date such records are created. Franchisor or Franchisor's authorized agent will have the right to request, receive, inspect and audit any of the records referred to above wherever they may be located. Should any inspection or audit disclose a deficiency in the payment of any Royalty Fee, Marketing Fund fee (as described in Section 10.5), or other amounts Franchisee is required to pay under this Agreement, Franchisee will immediately pay the deficiency to Franchisor, without prejudice to any other remedy of Franchisor under this Agreement. In addition, if the deficiency for any audit period discloses a deficiency in the amount of any Royalty Fee, Marketing Fund fee, or other amounts due by 2% or more, Franchisee will also immediately pay to Franchisor the additional amount of Royalty Fees and Marketing Fund fees owing together with a late charge as provided in Section 5.8, as well as the entire cost of the inspection or audit including travel, lodging, meals, salaries and other expenses of the inspecting or auditing personnel.

5.6 Franchisee understands and agrees that its failure to report Gross Revenues for any period will prevent Franchisor from debiting Franchisee's operating account with the appropriate amount of Royalty Fees, Marketing Fund fees and other fees due to Franchisor under this Agreement. In that event, Franchisee authorizes Franchisor to debit its operating account in the amount of 120% of the last payment of Royalty Fees and Marketing Fund fees paid to Franchisor together with late fees and interest permitted by this Agreement. Unless Franchisee notifies Franchisor in writing within three days after Franchisor debits Franchisee's operating account of an error in the amount of the fees that Franchisor debited in accordance with this Section 5.6, Franchisee will be barred from challenging the amount so debited at a later date. However, if at any time Franchisor discovers the amount that Franchisor debited from Franchisee's operating account are less than the amounts actually due to Franchisor based on the Studio's actual Gross Revenues for the relevant period, Franchisor may immediately debit Franchisee's operating account in the amount of the deficiency multiplied by 120% together with late fees and interest permitted by this Agreement. If the amounts which Franchisor debits from Franchisee's operating account exceed



the amounts actually due to Franchisor for the relevant period, Franchisor will credit the excess to the next payment of Royalty Fees and Marketing Fund fees due from Franchisee. Nothing in this Section 5.6 is intended to excuse Franchisee's obligation to report Gross Revenues for any period in a timely and accurate fashion.

5.7 The records required under this Section 5 pertain only to Franchisee's operation of the Studio. Franchisor will have no right to inspect, audit or copy the records of any business activity that are unrelated to the Studio that Franchisee may have. Franchisee shall keep the books and records of the Studio separate from the records of any unrelated business or personal activity.

5.8 To encourage prompt submission of reports, payment of fees to Franchisor, and to cover the costs and expenses involved in handling and processing late payments, Franchisee shall also pay, upon demand, a late interest charge of 12% per annum, not to exceed the maximum rate of interest allowable by law on all payments due to Franchisor during the period of time such payments are due and unpaid, plus a late payment or report charge in the amount of \$100 per period overdue. Franchisee also will pay, upon demand, to Franchisor a return check fee in the amount of \$100.00 for each check that is returned. Franchisee acknowledges that this Section 5.8 will not constitute Franchisor's agreement to accept such payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Studio. Further, notwithstanding the provisions of this Section 5.8, Franchisee acknowledges that failure to pay all such amounts when due will constitute grounds for default and immediate termination of this Agreement.

5.9 Franchisee hereby authorizes Franchisor to make reasonable inquiries of Franchisee's bank, suppliers and trade creditors concerning the Studio and hereby directs such persons and companies to provide to Franchisor such information and copies of documents pertaining to the Studio as Franchisor may request.

5.10 Franchisor may implement a mystery shopper program to perform mystery shopper visits at the Franchised Location or other locations where the Services are provided. Franchisee will pay the reasonable fees of any third party mystery shopper supplier either directly to the mystery shopper company or Franchisor, at Franchisor's election. Franchisee will cooperate fully with Franchisor's inspections and any mystery shopper program that Franchisor implements. Franchisee, on behalf of itself and, as applicable, its directors, officers, managers, employees, consultants, representatives and agents, hereby waives any claim that any inspections or recordings violate any person's rights of privacy.

5.11 Franchisee acknowledges and agrees that Franchisor, at all times during and after the termination, expiration or cancellation of this Agreement, has the right to access the Records (as defined below) of the Studio, and may utilize, transfer, copy or analyze such Records as Franchisor determines to be in the best interest of the System.

5.12 Franchisee acknowledges that Franchisor may be required by law, regulation or other legal requirement, or may determine in its sole discretion to disclose information regarding Franchisee or the operation of the Studio, including earnings, costs or other financial performance information. Franchisee shall provide any such information requested by Franchisor for the purpose of such disclosure as directed by Franchisor.

## **6. SERVICES AND ASSISTANCE**

6.1 Franchisor shall offer Franchisee initial and continuing services, as Franchisor deems necessary or advisable in furthering Franchisee's Studio or the System as a whole, and in connection with protecting the Marks and goodwill of Franchisor. Unless material, failure by Franchisor to provide any

particular service or level of service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.

6.2 Initial services provided by Franchisor before Franchisee begins to provide the Services shall include:

- (a) Designating the Search Area and Authorized Territory.
- (b) Reviewing and approving, as applicable, Franchisee's lease for the Studio and any ongoing amendments, modifications and renewals to the lease.
- (c) Providing Franchisee upon execution of this Agreement, with general design specifications for the Studio, the required studio design and construction management vendor to be used for the build out of the Franchised Location as well as a list of required and approved, branded and non-branded, equipment, fixtures, furnishings, signs, products, materials, Props, Products and supplies offered for sale by the Studio.
- (d) Providing Franchisee with the home-study materials ("**Home-Study Materials**").
- (e) Conducting the Operator Training Program for Franchisee, or if Franchisee is not an individual, Franchisee's Designated Owner, and, if applicable, the Operations Manager. The Operator Training Program is held in Portland, Oregon, USA, or virtually at Franchisor's discretion. If Franchisee, its Designated Owner, and, if applicable, the Operations Manager, do not complete the Operator Training Program described in this Section 6.2(e) to Franchisor's satisfaction, each such person will retake the Operator Training Program as provided in Section 7.1(e) and Franchisee will pay Franchisor the then-current fee for the Operator Training Program, plus any travel expenses incurred.
- (f) Conducting the Instructor Mentor Training Program for Franchisee's Instructor Mentor. The Instructor Mentor Training Program is held in Portland, Oregon, USA, at other locations designated by Franchisor, or virtually at Franchisor's discretion. If the Instructor Mentor does not complete the Instructor Mentor Training Program described in this Section 6.2(f) to Franchisor's satisfaction, or if Franchisee's Instructor Mentor ceases its employment for Franchisee, Franchisee will be required to select an alternate person to serve as the Instructor Mentor who Franchisor will have the discretion to approve, and such person shall complete a self-guided Instructor Mentor Training Program to Franchisor's satisfaction using Franchisor's intranet system. If Franchisor agrees to provide the Instructor Mentor Training Program to existing or new Instructor Mentors, Franchisee will pay Franchisor the then-current fee for the Instructor Mentor Training Program, plus any travel expenses incurred.
- (g) Conducting the New Instructor Training Program for up to six people who must be (a) Franchisee or its Designated Owner, or, if Franchisee or its Designated Owner is not also the Instructor Mentor, then the person who is the Instructor Mentor, plus (b) five additional employees of Franchisee who will provide barre3® class instruction at the Studio. The New Instructor Training Program is held in Portland, Oregon, USA, at other locations designated by Franchisor, or virtually at Franchisor's discretion. If a person does not complete the New Instructor Training program described in this Section 6.2(g) to Franchisor's satisfaction, such person (i) will not be permitted to teach classes at the Studio, or (ii) with Franchisor's approval, may elect to retake the New Instructor Training Program and Franchisee will pay Franchisor the then-current fee for the New Instructor Training Program, plus any travel expenses incurred.

(h) Providing Franchisee during the Term with access to a copy of Franchisor's Manuals containing required and suggested specifications, standards, operating procedures and rules prescribed from time to time by Franchisor as further stipulated in this Section 6. Any required specifications, standards, operating procedures or rules contained in the Manuals to protect Franchisor's interests in the System and the Marks are not for the purpose of establishing any control or duty to take control over those matters reserved to Franchisee. Any personnel policies or procedures contained in the Manuals are for Franchisee's optional use and are not mandatory and Franchisee shall determine to what extent, if any, such personnel policies and procedures may be applicable to its operations at the Studio in its jurisdiction; provided, however, that Franchisor may specifically identify instances where an item in the Manuals is a required standard to protect the System, Marks, and barre3® brand. Franchisee must operate the Studio pursuant to the Manuals, as amended from time to time. Failure to comply with the standards set forth in the Manuals will constitute a breach of this Agreement. Franchisor will provide the Manuals and all updates in electronic form or other form determined by Franchisor. Franchisor currently provides access to the Manuals via a password protected website. Franchisee must monitor and access the Manuals daily or as specified in the Manuals. Any password or other digital identification necessary to access the Manuals is Franchisor's proprietary information. Franchisor will have the right to add to, and otherwise modify, the Manuals from time to time to reflect changes in authorized Products and Services, business image or the operation of the Studio. Franchisee covenants to accept, implement and adopt any such modifications at its own cost; provided, however, no such addition or modification will alter Franchisee's fundamental status and rights under this Agreement. Franchisee hereby acknowledges that the Manuals are loaned to Franchisee and will at all times remain the sole and exclusive property of Franchisor. You agree that the contents of the Manuals constitute Trade Secrets and that you will not at any time copy, distribute, post, publicize or disseminate through any means, any part of the Manuals, or allow or aid any third party to do the same, unless first approved in writing by Franchisor. The Manuals and other writings communicated to Franchisee are incorporated by reference into this Agreement and are a binding and enforceable part of this Agreement. Franchisor may modify the Manuals periodically to reflect changes in the System.

(i) Providing Franchisee with (i) a template for a webpage or splash page on Franchisor's website or otherwise on the Internet, and (ii) social media accounts for Franchisee's use during the Term at Franchisor's sole discretion.

(j) Providing Franchisee with Branded Opening Props consisting of approved and required Props necessary for use in the operation of the Studio. The exact quantity and composition of the Branded Opening Props and the corresponding fee may vary depending on the capacity, condition, location and layout of the Franchised Location and other like factors;

(k) Visiting Franchisee's Studio in person or virtually for up to four days to inspect the Studio and provide Franchisee with pre-opening consultation and advice.

(l) Executing a social media marketing campaign shortly prior to and after Franchisee opens the Studio advertising the opening of the Studio.

6.3 As of the issuance date of this Agreement, the services provided by Franchisor to Franchisee after Franchisee opens the Studio shall include:

(a) Making a representative reasonably available to speak with Franchisee on the telephone or via e-mail during normal business hours, as Franchisor determines is necessary to discuss Franchisee's operations and marketing.

(b) Conducting additional training or retraining courses from time to time. Franchisee must pay all required then-current training fees for any persons it causes or Franchisor requires to attend additional or retraining courses.

(c) Furnishing guidance to Franchisee on methods, specifications, standards, management and operating procedures used in the Studio. Franchisor will provide such guidance through the Manuals, bulletins, videos, webinars, written materials, reports and recommendations, or telephonic consultations as Franchisor deems necessary.

(d) Developing and designing new Products, Services, operations methods or programs for the System, as Franchisor deems necessary. Franchisee shall pay any fees associated with the training for, or implementation of, such new Products, Services, operations methods or programs and shall offer for sale all such new Products or Services developed as required by Franchisor.

(e) Providing Franchisee with Props for use in the Studio, at costs and pricing announced and published by Franchisor from time to time.

(f) Franchisor maintains the Marketing Fund, as set forth in Sections 10.5 to 10.7 below, and will use the funds to develop promotional and advertising programs for Studios and to develop and maintain its Internet marketing.

(g) If Franchisee requests, Franchisor may make a special visit to the Franchised Location to provide on-site assistance to Franchisee. Franchisee will pay the then-current fee for such site visit plus all reasonable travel and related expenses incurred by Franchisor. As of the date of this Agreement, the fee for a special site visit is between \$300 and \$750 per day.

6.4 Franchisor is not obligated to perform services set forth in this Agreement to Franchisee's particular level of satisfaction. All training shall be subject to the availability of Franchisor and its agents. Training may not be provided in contiguous time periods.

## **7. FRANCHISEE'S DUTIES, OBLIGATIONS AND OPERATING STANDARDS**

7.1 Development of the Franchise Location:

(a) Franchised Location. Franchisee will satisfy the Premises Deadline as provided in this Section 7.1(a).

(i) Within 30 days after executing this Agreement, Franchisee must engage and utilize Franchisor's required third party site selection service provider to: (i) identify a commercial real estate broker with whom Franchisee must work to identify the site for the Franchised Location; and (ii) review and provide guidance on the business terms of a letter of intent or lease for the Franchised Location space.

(ii) Before the Premises Deadline, Franchisee will: (1) conduct a search within the Search Area (but not within any part of the Search Area that overlaps with the protected territory of another barre3® Studio) and identify a proposed Franchised Location and, (2) provide Franchisor in a form specified by Franchisor: (i) a description of the proposed Franchised Location; (ii) any other information and materials Franchisor may require, for Franchisor review, including a description of the premises, current zoning designation, demographic information, location of all fitness or exercise businesses within a 25-mile radius, street frontage, pedestrian and automobile traffic statistics, a description of other

neighboring businesses, parking availability, rent rates (including base rent and any CAM charges, taxes and insurance) or sale price and mortgage terms, architectural drawings of current interior design, as well as a video and photographs of both the exterior and interior of the premises; and, (iii) a proposed letter of intent (“LOI”) and draft lease or purchase agreement for the acquisition of the proposed Franchise Location. If Franchisee intends to rent the proposed Franchise Location, the LOI shall provide among other things, for a ten-year lease term with a minimum of one five-year renewal option and the obligation of the parties to enter into Franchisor’s standard form Lease Rider attached hereto at **Attachment J**.

(iii) Franchisor will use its reasonable best efforts to respond within 14 days to provide Franchisee with its written Preliminary Approval or disapproval of the proposed Franchised Location based on the information submitted by Franchisee. If Franchisor does not respond within this time, the proposed Franchised Location will be deemed disapproved. If Franchisor provides Preliminary Approval, Franchisee will promptly submit to Franchisor a copy of the proposed final version of the Acquisition Documents. If Franchisee intends to enter into a lease for the Franchised Location, Franchisee and Franchisee’s landlord must enter into Franchisor’s standard form Lease Rider to which Franchisor is a third party beneficiary.

(iv) Franchisor will use its reasonable best efforts to respond within 14 days to provide Franchisee with written final approval or disapproval of the Franchised Location based on its acceptance or disapproval of the Acquisition Documents (“**Final Approval**”). If Franchisor does not respond within this time, the proposed Acquisition Documents will be deemed disapproved. If Franchisor provides Final Approval, Franchisee will execute the Acquisition Documents and will not thereafter alter or modify them without the prior written consent of Franchisor; and the address of the Franchised Location and the effective date of the Acquisition Documents will be inserted into **Attachment B** of this Agreement and initialed by Franchisee and Franchisor. Franchisee will deliver a copy of the signed Acquisition Documents, including Franchisor’s Lease Rider, to Franchisor within 10 days of execution.

(v) If Franchisor does not provide Preliminary Approval of the proposed Franchised Location or Final Approval of the Acquisition Documents, the proposed Franchised Location or Acquisition Documents will be deemed disapproved. If Franchisor’s disapproval is based on terms in the Acquisition Documents, Franchisee may renegotiate the Acquisition Documents until they meet with Franchisor’s satisfaction, in its sole discretion. However, no opportunity to renegotiate the Acquisition Documents will extend the Premises Deadline. If Franchisor’s disapproval is based on any other factor, Franchisee will locate an alternative Franchised Location and obtain Franchisor’s Final Approval on or before the Premises Deadline. No opportunity to select an alternative Franchised Location will extend the Premises Deadline. If Franchisee fails to satisfy the Premises Deadline, Franchisor may: (i) extend the Premises Deadline, or (ii) terminate the Agreement pursuant to Section 16.

(vi) FRANCHISEE ACKNOWLEDGES THAT ALTHOUGH FRANCHISOR MAY PROVIDE ASSISTANCE TO FRANCHISEE IN THE SELECTION OF THE FRANCHISED LOCATION OR STUDIO DEVELOPMENT PROCESS AND MAY HAVE REVIEWED INFORMATION ON THE FRANCHISED LOCATION, THE LEASE, OR OTHER ASPECTS OF THE DEVELOPMENT OF THE STUDIO, FRANCHISOR MAKES NO WARRANTY, REPRESENTATION OR

GUARANTY OF ANY KIND WITH RESPECT TO THE LOCATION, THE LEASE OR THE SUCCESS OR PROFITABILITY OF THE BUSINESS TO BE OPERATED AT SUCH FRANCHISED LOCATION.

(b) Financing Deadline. For any Franchisee who will finance any part of the investment cost necessary to commence operations, Franchisee must provide Franchisor in the form specified by Franchisor: (1) a description of any proposed financing, which must be reasonably acceptable to Franchisor, and (2) any other information and materials that Franchisor may require. Franchisor will have 14 days to provide Franchisee with its approval or disapproval of the proposed financing. If Franchisor does not provide a response to Franchisee within the 14-day period, Franchisee's proposed financing will be deemed disapproved. If approved, Franchisee will take steps necessary to secure such financing on or before 120 days after the Effective Date (the "**Financing Deadline**"). If Franchisee fails to comply with the Financing Deadline, Franchisor may (i) extend the Financing Deadline in its sole discretion, or (ii) terminate the Agreement pursuant to Section 16.2(c). Franchisee will not grant any lender a security interest in the Marks, or any material or equipment incorporating the Intellectual Property (including Franchisor's trade dress, Trade Secrets or Confidential Information) except as provided in Section 8.6. If Franchisee elects to seek financing from a lender in which funding is provided with the assistance of the U.S. Small Business Administration ("SBA"), the Franchisee must execute the non-negotiable Addendum to this Agreement required by the SBA contained in **Attachment H**. Franchisee will at all times maintain sufficient working capital as may be set forth in the Manuals to comply with its obligations under this Agreement.

(c) Instructor Mentor Selection Deadline. Before the Instructor Mentor Selection Deadline, Franchisee shall (i) select a person to serve as the Studio's Instructor Mentor, which may be Franchisee, or Franchisee's Designated Owner, or another individual approved by Franchisor; (ii) provide Franchisor, in a form specified by Franchisor, a description of the proposed Instructor Mentor's qualifications and any additional information that may be requested. Franchisor will use its reasonable best efforts to respond within 14 days to provide Franchisee with written final approval or disapproval of the selected Instructor Mentor. If Franchisor approves the Instructor Mentor selected by Franchisee, Franchisee shall cause such person to attend the next available Instructor Mentor Training Program offered by Franchisor. If Franchisor does not provide approval of the selected Instructor Mentor, such proposed Instructor Mentor will be deemed disapproved. Franchisee will select an alternative Instructor Mentor and obtain Franchisor's approval on or before the Instructor Mentor Selection Deadline. No opportunity to select an alternative Instructor Mentor will extend the Instructor Mentor Selection Deadline. If Franchisee fails to satisfy the Instructor Mentor Selection Deadline, Franchisor may: (i) extend the Instructor Mentor Selection Deadline, or (ii) terminate the Agreement pursuant to Section 16. Franchisee must employ an Instructor Mentor at all times after the Instructor Mentor Selection Deadline. If Franchisee's initial or any subsequent Instructor Mentors cease working as an Instructor Mentor for Franchisee, Franchisee will select an alternate Instructor Mentor in accordance with this section 7.1(c).

(d) Build Out. Within 90 days after executing the Acquisition Documents, Franchisee must engage and utilize Franchisor's required third party design and construction management vendor in order to: (i) obtain working drawings for the build out of the Franchised Location and approval from Franchisor and, if applicable, its landlord, for the same; (ii) all permits, licenses and entitlements necessary to begin construction, with the exception of the certificate of occupancy which must be obtained on or before the Operations Deadline; and (iii) commence construction of the Franchised Location using Franchisor's approved and designated suppliers of improvements, fixtures, furniture, equipment, supplies, products, and services. Franchisee must comply with the directives provided in the Manuals and all local ordinances, building codes, permit requirements

and the Americans with Disabilities Act in the build out of the Franchised Location. Franchisee must complete the build out of the Franchised Location to Franchisor's satisfaction on or before the Operations Deadline. If Franchisee fails to complete the build out by the Operations Deadline, Franchisor may: (i) extend the Operations Deadline, or (ii) terminate the Agreement pursuant to Section 16. Franchisee acknowledges that Franchisor shall not be responsible or liable for any issues or claims arising out of business relationships that Franchisee enters into with any vendors or suppliers recommended, approved or designated by Franchisor.

(e) Training Deadlines. On or before the Operator Training Deadline, Franchisee or its Designated Owner, and if applicable, Operations Manager, must complete the Operator Training Program; on or before the Instructor Mentor Training Deadline, the person approved to serve as the Instructor Mentor (which may be Franchisee, Franchisee's Designated Owner, or another person, approved by Franchisor) must complete the New Instructor Mentor Training; and, on or before the Instructor Training Deadline, a minimum of four (4) of the six (6) people who attend the Instructor Training Program (one of whom must be the Instructor Mentor) must complete the Instructor Training Program to Franchisor's satisfaction in its sole discretion. Upon satisfactory completion of each training program, Franchisor will provide each person who satisfactorily completes training with written certificates of completion. If any person fails to complete a training program to Franchisor's satisfaction within the applicable training deadline, Franchisor may (i) extend the applicable training deadline and require such person(s) to retake the applicable training program at Franchisee's expense, (ii) require that Franchisee delay commencement of Studio operations pending the satisfactory completion of the requisite training program(s); or (iii) if the person who fails training is Franchisee, its Designated Owner, Operations Manager or Instructor Mentor, to terminate this Agreement pursuant to Section 16.2.

(f) Commencement of Operations. Before the Operations Deadline, Franchisee must satisfy all pre-opening obligations and satisfactorily complete training in accordance with the applicable training deadlines set forth above in Section 7.1(e) above. If Franchisor grants Franchisee an extension under Sections 7.1(a), (b), (c), (d), or (e) the Operations Deadline shall be extended proportionately. Franchisor may terminate this Agreement under Section 16.1 if Franchisee fails to comply with the Operations Deadline.

7.2 Franchisee will not begin offering Services or Products for sale in the Authorized Territory until: (1) all required training programs have been completed and each trainee has received a certificate of satisfactory completion; (2) Franchisee has entered into a lease or purchased the Franchised Location; (3) Franchisor has been furnished with copies of all insurance policies and certificates required in Section 11 of this Agreement, or other documentation of insurance coverage and payment of premiums that Franchisor may require; and (4) Franchisee notifies Franchisor that all approvals and conditions set forth in this Agreement related to the provision of offering barre3® classes have been met. Franchisee will not open the Studio at the Franchised Location until: (1) Franchisor notifies Franchisee in writing that all of Franchisee's development and pre-opening obligations have been satisfied; (2) all amounts due to Franchisor and Franchisee's suppliers have been paid; (3) Franchisee notifies Franchisor that all approvals and conditions related to operation of the Studio set forth in this Agreement have been met; and (4) Franchisee has ordered, received, and installed all fixtures, equipment, furniture, supplies, inventory, and Computer Systems required by Franchisor. Franchisee will begin operating the Studio immediately after Franchisor determines that the Studio is ready for opening.

7.3 Franchisee or its Designated Owner, will diligently develop and operate the Studio, and will use reasonable efforts to market and promote the Services and Products.

7.4 Franchisee will comply with all present and future System standards, specifications, processes, policies, procedures and requirements of Franchisor regarding the offering for sale of Services and Products, and the operation of the Studio, and must comply with the following requirements:

(a) The Operator Training Program (as defined above) for the first two trainees is included in the Initial Franchise Fee. The Instructor Mentor Training Program (as defined above) for the first Instructor Mentor is included in the Initial Franchise Fee. Franchisee must pay the then-current fee for any persons required by Franchisor to take or retake the Operator Training Program, and for any new person who will serve as the Studio's Operations Manager during the Term of this Agreement. The first New Instructor Training Program will be provided to the Instructor Mentor, and up to five additional employees before the commencement of operations. The fee for the first New Instructor Training Program for a total of six persons is included in the Initial Franchise Fee. Franchisee must pay a fee for any persons required by Franchisor to retake the New Instructor Training Program or for any new person who will serve as an Instructor during the Term of this Agreement. Franchisee will cause each new employee who will provide class instruction at the Studio to complete the New Instructor Training Program to Franchisor's satisfaction before instructing. Franchisee and all Instructors must complete all additional training programs, as described in the Manuals. Such fees are subject to change, are deemed to be fully earned by Franchisor when paid and are nonrefundable. Franchisee will pay Franchisor the then-current fee for each training course provided and all travel expenses including transportation, accommodation and food for each of its staff that attends any training program. For each of its Instructors, Franchisee will also pay all fees for ongoing training including supplemental training, subscriptions, Internet-based memberships, tutorials, videos and manuals, as well as all related travel and living expenses while attending any training program.

(b) Franchisee, or its Designated Owner, or, if applicable, Operations Manager, must devote full-time efforts to the management and operation of the Studio. Franchisee must generate the following minimum Gross Revenues in each of the specified calendar years: In the second full calendar year following the year in which the Studio opens, Franchisee must generate Gross Revenues of at least 50% of the average Gross Revenues of all franchisees who have been open at least one full calendar year. In the third and subsequent full calendar years, Franchisee must generate at least 70% of the average Gross Revenues of all franchisees who have been open at least one full calendar year. Failure to meet these minimums for two consecutive calendar years may result in a reduction in the size of the Authorized Territory, to the extent that Franchisor determines in its discretion. Failure to meet these minimums for three consecutive calendar years shall constitute a default under Section 16.3(g) of this Agreement.

(c) Franchisee or its Designated Owner, and if applicable, its Operations Manager, must attend mandatory conferences and conventions at such locations as Franchisor may reasonably designate, and Franchisee will pay all salary and other expenses of persons attending, including any conference fees, travel expenses, payroll, meals, living expenses and personal expenses. Franchisee shall not be required to attend more than two mandatory conferences per year. If Franchisee or its Designated Owner, and if applicable, its Operations Manager, fail to attend any such mandatory programs without obtaining Franchisor's prior written consent, such persons will be required to make up the program, if possible, at a time and place designated by Franchisor and will be charged a non-attendance fee of One Thousand Dollars (\$1,000) per person.

(d) Commencing on the date Franchisee first offers Services and Products for sale and continuing until expiration or termination of this Agreement, Franchisee must on a continuing basis in the Authorized Territory and at the Franchised Location offer for sale all required Services and Products. Upon receipt of Franchisor's written directive, Franchisee must offer new Services or



Products introduced into the System at the time and in the manner required by Franchisor. Franchisee will not provide any Service or Product except within the Authorized Territory, or in limited circumstances at other locations as approved by Franchisor in advance, such as special events for promoting or marketing the Studio. Franchisor will provide Franchisee with at least 30 days' prior written notice of any new required Service or Product introduced into the System. All equipment, products, supplies, tools and other items necessary to offer for sale the Services or Products must be acquired, installed and utilized at the time and in the manner required by Franchisor. Franchisee must market new Services and Products via the channels and at the time reasonably required by Franchisor;

(e) Franchisee may not offer for sale from the Studio or within the Authorized Territory any service or product, unless Franchisee receives the prior written consent of Franchisor;

(f) Franchisee must use only advertising and promotional materials, services, equipment, tools, inventory, products, signage, supplies and uniforms that meet Franchisor's standards and specifications and only in the manner and during the period specified by Franchisor;

(g) Franchisee must maintain the Studio and everything related to the Studio in good condition and must keep the Studio clean, neat and sanitary. All maintenance, repairs and replacements to equipment or the Leased Premises that are reasonably requested by Franchisor or needed in connection with the Studio must be promptly made. All employees must be clean and neat in appearance, and conduct themselves in a professional manner, at all times;

(h) Franchisee may not make any alterations to the Franchised Location that materially affects the image of the Studio except at Franchisor's request or approval, and all alterations must strictly conform to specifications and requirements established or approved by Franchisor;

(i) Franchisee, the Studio, and the Services provided and Products sold by Franchisee must comply with all applicable laws and other governmental requirements including (a) those applicable to exercise studios and, if applicable, child care, and (b) all consumer protection laws and regulations. Franchisee is solely responsible for compliance with all laws relating to its business, including labor and employment laws. Franchisee is solely responsible for monitoring and enforcing the System standards within its business and company, including all communications with its employees and agents. If Franchisor provides Franchisee forms or practices, Franchisee is solely responsible for ensuring that Franchisee's forms and practices comply with local laws or other laws applicable to Franchisee's business and company. Any changes made by Franchisee to the System must be pre-approved by Franchisor in writing, and will generally only be approved to the extent necessary to comply with applicable law. Franchisee must take all reasonable measures necessary to establish in writing with its staff that Franchisee, and not Franchisor, is the employer of Franchisee's staff, and that Franchisee is responsible for all human resources and personnel policies, practices and decisions that affect its staff. Franchisee shall also require that all of its employees, independent contractors, agents and service providers sign Franchisor's then-current form of Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement, current form attached hereto at **Attachment G**.

(j) Franchisee must obtain all business licenses and permits required by law before operating its Studio and meet and comply with all zoning and other laws required to operate the Studio at the Franchised Location. Franchisee will immediately notify Franchisor of any violation of any such permit or license with a copy of the same. Franchisee acknowledges and agrees that it conducted an independent investigation into all applicable laws and regulations with the assistance of a lawyer or other qualified advisor before entering into this Franchise Agreement. If any license, governmental review, or permit is required, and cannot be obtained by reasonable efforts within

one year of the Effective Date, this Agreement shall terminate, and 20% of the Franchise Fee shall be refunded, and the post-termination obligations of this Agreement shall remain in effect;

(k) As between the parties, Franchisor shall not be responsible for any taxes (including payroll taxes), duties, import deposits, assessments and other governmental charges, however designated, which are now or hereafter imposed by any governmental authority or agency located in Franchisee's jurisdiction, including those based on (i) the payment of any amount by Franchisee to Franchisor pursuant to this Agreement or (ii) the importation of the Products into the Territory. Franchisee shall be solely responsible for such taxes, and any reporting and withholding. Franchisee must provide Franchisor with evidence of such payments and all related documents that Franchisor may require to claim U.S. tax credits for such payments;

(l) Franchisee must promptly pay all debts and taxes and other obligations arising in connection with the Studio (including the payment of fees) when due, and any and all accounts payable or other indebtedness incurred by Franchisee in operating the Studio;

(m) Franchisee will use its best efforts to ensure customer satisfaction; use good faith in all dealings with customers, potential customers, referral sources, suppliers and creditors; respond to customer complaints in a courteous, prompt and professional manner; use its best efforts to promptly and fairly resolve customer disputes in a mutually agreeable manner; and take such actions as Franchisor deems necessary or appropriate to resolve customer disputes;

(n) Franchisee will ensure that all advertising, labeling, packaging and other materials associated with the Services and Products are not false or misleading and fully conform to all applicable laws and regulations. Franchisee agrees that all Products or Services promoted or rendered under the Marks, and all uses of the Marks pursuant hereto, are of a nature and quality conforming to any and all standards approved or dictated by Franchisor. Franchisor has the right to ensure the nature and quality of the Services and Products offered by Franchisee under the Marks conform to standards approved or dictated by Franchisor and are maintained at a level which reflects the high standards of Franchisor, including having Franchisor's duly authorized representatives inspect Franchisee's Products, Services and Studio, at mutually convenient times;

(o) Franchisee will acquire, maintain and upgrade Computer Systems and communication systems, including all applicable Computer Systems, as prescribed in the Manuals;

(p) Franchisee will comply with all terms and pay all fees that may be due under a software license agreement for all software Franchisee is required to use in the operation of its Studio as prescribed by Franchisor;

(q) Franchisee will develop and operate the Studio pursuant to the Manuals, including all directives, requirements, standards, methods of operations, systems, modifications, additions, deletions and changes made to the Manuals that may be made from time to time during the Term; and,

(r) Franchisees, or their Designated Owners, or, if applicable, Operations Managers, who have children under the age of six are required to make arrangements for such children's offsite childcare.

7.5 To the extent permitted by law, Franchisor may: (i) set maximum resale prices; (ii) set minimum resale prices; (iii) set minimum advertised prices; and (iv) set prices in connection with national or regional price promotions or price advertising. Franchisor may also designate approved and disapproved

channels for the advertising of discounted Services or Products. Franchisor, however, shall not have control over the day-to-day managerial operations of the Studio.

7.6 Franchisee expressly authorizes Franchisor and its representatives, at any reasonable time, and without prior notice to Franchisee, to enter the Franchised Location or other event locations where Services are rendered or Products are sold, and conduct regular inspections of the Studio and Franchisee's methods of operation. Such inspections may include, using digital and other monitoring services to observe and record discussions with Franchisee's employees, observe customer interaction and the rendering of Services, and the review of Franchisee's books, records and communications (including, Franchisor-provided email accounts used by Franchisee or its employees in the operations of the Studio, and data stored on Franchisee's business computer and point-of-sale cash control system) in order to verify compliance with this Agreement and the Manuals. Franchisor will have the right to discuss with any Franchisee employee, all matters that may pertain to compliance with this Agreement and with Franchisor's standards, specifications, requirements and procedures and to have any Service performed by any Franchisee employee at the Studio. Franchisee will promptly comply with Franchisor's request for any additional information and hereby consents to such inspections.

7.7 Failure to repair and maintain the Franchised Location or the fixtures, equipment, and other tangible property of the Studio in accordance with Franchisor's standards will constitute a breach of this Agreement. If Franchisee fails to complete any required repair, maintenance or corrective work within 30 days after receiving Franchisor's written notice of deficiency, in addition to its other remedies, Franchisor will have the right, in addition to all other remedies, to enter the Franchised Location and complete the required repair, maintenance or corrective work on Franchisee's behalf. Franchisor will have no liability to Franchisee for any work performed. If Franchisor elects to perform required repair, maintenance or corrective work, or replace non-conforming property with conforming property, Franchisee must promptly pay Franchisor for labor and materials, plus the greater of a 25% service charge or the amount sufficient to reimburse Franchisor for Franchisor's actual costs in connection with such corrective work.

7.8 Franchisee must at any time upgrade, update or replace the Studio fixtures, equipment, and other tangible property of the Studio in accordance with Franchisor's standards to conform to the standards for similarly situated new Studios. The maximum cumulative amount that Franchisee will be required to spend during the first ten years of the first Term of this Agreement is \$50,000 (**the "Maximum Modernization Amount"**). The Maximum Modernization Amount does not include any required expenditures for Computer Systems, marketing or advertising materials, or other costs associated with improvements necessary to offer new Services or Products under Section 7.4(d), for upgrades that Franchisee makes voluntarily, for normal maintenance and refreshing of the Studio whenever necessary under Section 7.4(h), or for compliance with upgrade requirements at the time of any transfer or renewal.

7.9 Franchisor may require Franchisee's compliance with the provisions of this Section 7 even if it does not require such compliance by all franchisees.

7.10 Franchisee will become a member of such trade associations or organizations, which in the reasonable opinion of Franchisor are useful in the operation of the Studio. The costs of participating in such trade associations will be borne by Franchisee. Nothing in this Section 7.10 limits Franchisee's freedom to join any franchise or franchisees association of its choosing.

7.11 Franchisee will at all times have sufficient computer skills to operate the Computer Systems, including software, for the Studio, understand how to utilize the software, and access email, the Internet, and Franchisor's proprietary database management and intranet system (which includes its learning system), if any.

7.12 Franchisee acknowledges and understands that Computer Systems are vulnerable to computer viruses, bugs, power disruptions, communication line disruptions, Internet access failures, Internet content failures, date-related problems and attacks by hackers and other unauthorized intruders. Franchisor does not guarantee that the Computer Systems will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisor's suppliers, lenders, landlords, customers and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure the Computer Systems and Franchisee's other systems (including using and continuously updating firewalls, access code protection, and anti-virus systems), to use backup systems, and to comply with privacy and data security laws. If Franchisee discovers a data breach requiring notification to any third party, Franchisee will also simultaneously notify Franchisor.

7.13 Franchisee will acquire, maintain and upgrade the Computer Systems, as prescribed in the Manuals and as modified periodically by Franchisor. Franchisee will enter into and comply with any separate software or other license agreements that Franchisor or its designee use in connection with the System. Franchisee will utilize Franchisor's required software, proprietary database management and intranet system as the exclusive means for tracking and maintaining customer, vendor, and lead information, recording class reservations, Product sales, and for such other uses as prescribed by Franchisor periodically in the Manuals. Monthly and/or twice monthly (or such other time period as required by Franchisor) sales and royalty reporting may occur through mandatory software including the automatic draft via electronic transfer of Royalty Fees and Marketing Fund fees. All data generated by Franchisor required Computer Systems, including Customer Data, is owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. Copies of such data must be provided to Franchisor promptly as Franchisee creates, stores, or amends such data, in the manner that Franchisor specifies. Franchisee's use of such data is subject to the terms of this Agreement. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, for the Term and any Renewal Term of this Agreement and solely for Franchisee's use in connection with the Studio.

7.14 Franchisee will at all times maintain an active and functioning email account at which it can receive e-mails from Franchisor and will check the account at least once each day. If required by Franchisor, Franchisee will maintain an @barre3.com email account issued by Franchisor and shall use such email account for all communications related to the development and operations of the Studio. Franchisee acknowledges and agrees that Franchisor may provide, by means of e-mail, mandatory System updates and changes to the Manuals including changes to policies and standards.

7.15 Prior to hiring a new employee, Franchisee must perform a background check on each such person. Upon each new employee, independent contractor, agent or service provider's first day of employment, Franchisee must cause each such person to execute Franchisor's then-current standard form Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement, current version attached hereto at **Attachment G**.

## **8. PURCHASE OF EQUIPMENT, INVENTORY AND SUPPLIES**

8.1 Franchisee acknowledges and agrees that: Franchisee's obligations set forth in this Agreement and the Manuals are reasonable and necessary for the operation of the Studio and to maintain uniformity throughout the System; adherence to the System and proper use of the Marks are essential to maintaining a uniform image and high standards of Studio operations; uniformity is important to the value of the System and Marks to Franchisor and to all franchisees; and any breach of this Agreement or failure to conform to the System or Manuals could substantially adversely affect that value. Franchisee must adhere to the standards and specifications set forth in this Agreement and the Manuals and any revisions or

amendments to the same (including, standards and specifications for the Services and all required suppliers, supplies and equipment used in the Studio including, design, architectural and construction management services, inventory items and merchandise, marketing materials, displays, signage, furniture, fixtures, equipment, Computer Systems, and supplies). Franchisee must use signs, furnishings, supplies, fixtures, equipment and inventory that comply with Franchisor's then-current standards and specifications which Franchisor establishes from time to time, within 30 days of written notice to Franchisee. Franchisor has the right to change Franchisor's standards and specifications in Franchisor's sole discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

8.2 Recognizing that preservation of the System depends upon Product and Service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to only purchase inventory items and merchandise, marketing materials, displays, signage, furniture, fixtures, equipment and supplies, Computer Systems, and other equipment from Franchisor or from approved or designated suppliers as Franchisor will specify, from time to time, in the Manuals and otherwise in writing. Franchisee must obtain and maintain high-speed access to the Internet using Franchisor's specified Computer System. Franchisee must maintain social media accounts created by Franchisor on Franchisee's behalf. Franchisee must also create those certain social media accounts that Franchisor requires, but does not have the ability to create on behalf of Franchisee (such as Instagram). Franchisee hereby expressly provides Franchisor the right to independently, or to require that Franchisee, add, remove, delete, or revise any content, in any form including text, graphic, photo, or video, from any social media account used by Franchisee in connection with the operation of the Studio whether or not created by Franchisor or Franchisee. Franchisee acknowledges that regardless of whether Franchisee or Franchisor creates a social media account on Franchisee's behalf, Franchisor shall be the sole owner of such account. Franchisor, Franchisor's Affiliate or a third party may be one of several, or the only, designated supplier of any item or service, including, online training, retail merchandise, software, equipment, marketing equipment, design, build-out and fixtures. Franchisee further acknowledges and agrees that Franchisor or Franchisor's Affiliates have the right to realize a profit on any items that Franchisor, Franchisor's Affiliates or Franchisor's designated suppliers supply to Franchisee. Franchisee acknowledges that Franchisor shall not be responsible or liable for any claims arising out of or related to any purchases or other transactions that Franchisee enters into with such approved or designated suppliers.

8.3 In the event Franchisee wishes to purchase any unapproved item, including inventory, or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor (i) the name, address and telephone number of the proposed supplier, (ii) a description of the item Franchisee wishes to purchase, (iii) the purchase price of the item, (iv) a sample of the item, and (v) the then-current product or supplier review fee, which as of the date of this Agreement is \$200 for each new product or supplier. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Nothing herein will be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item itself or the supplier, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in the System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Franchisor may revoke Franchisor's approval of particular Products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such Products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing and using such Products and/or such supplier. Franchisee must use Products purchased from

designated suppliers solely in connection with the operation of the Studio and not for any competitive business purpose.

8.4 Franchisor may establish business relationships, from time to time, with suppliers who may produce, among other things, certain items, furnishings, supplies, fixtures, equipment and inventory according to Franchisor's proprietary standards and specifications or private label Products which Franchisor has authorized and prescribed for sale by System franchisees. Franchisee recognizes that such Products are essential to the operation of the Studio and to the System generally. Franchisee further recognizes that Franchisee's failure to pay such System suppliers may interfere with such suppliers' willingness to supply the System which may result in other System franchisees' inability to obtain Products or ability to obtain Products only on less favorable terms. Accordingly, Franchisee will pay all System suppliers as and when due.

8.5 Franchisee will offer for sale all Products and Services that Franchisor prescribes and only those Products and Services that Franchisor prescribes. Franchisee may not offer any other products or services for sale, rent, or lease without having received Franchisor's prior written authorization. Franchisee will at all times maintain sufficient levels of inventory as specified in the Manuals, to adequately satisfy consumer demand. Franchisee will also offer and sell all private label Products that Franchisor may now or in the future designate for sale by System franchisees at Franchisee's expense.

8.6 To secure Franchisee's performance under this Agreement, Franchisee hereby grants to Franchisor a general security interest in and to all of Franchisee's tangible and intangible property used to operate the Studio. Franchisor may record appropriate financing statements to protect and perfect its rights as a secured party. Except with Franchisor's prior written consent, which it shall not unreasonably withhold, Franchisee will not grant any person or legal entity a security interest in Franchisee's tangible or intangible assets of the Studio. Franchisor will normally agree to subordinate its security interest if requested by a lender providing financing to Franchisee provided that such lender: (i) agrees to provide Franchisor with written notice in the case of Franchisee's default at the same time that the lender serves Franchisee with such notice of default; (ii) provides Franchisor the right, but not the obligation, to cure the default under the loan or financing agreement; (iii) notifies Franchisor if the lender assigns its interest in the loan or financing to a third party, who the lender must require to take subject to these restrictions; (iv) provides Franchisor with a copy of the loan or financing documents which may not be materially modified at any time without Franchisor's prior written consent so that Franchisor may confirm that any changes do not materially impair its rights provided in this Section 8.6; and (v) does not take a primary security interest in Franchisor's Intellectual Property or any equipment or materials bearing the Intellectual Property. It will be Franchisee's obligation to ensure that any loan or financing agreements contain the above conditions and no such failure will constitute a waiver of Franchisor's rights in this Section 8.6.

8.7 Franchisee acknowledges and agrees that Franchisor and/or its Affiliates may receive revenue, volume rebates, promotional allowances or other payments from approved/designated suppliers as a result of Franchisee's purchases or use of the suppliers. Franchisee further acknowledges and agrees that Franchisor shall be entitled to keep any and all rebates and similar payments for its own use and account including compensation for administrative expenses incurred in managing suppliers or developing Products, programs or Services.

## **9. MARKS AND COPYRIGHTED WORKS**

9.1 Franchisee acknowledges and agrees that:

(a) Franchisor (or its Affiliate) is the owner of all right, title and interest, together with all the goodwill, of the Intellectual Property and Franchisee's right to use the Intellectual Property is derived solely from, and is subject to, the terms and conditions of this Agreement. Such right is

limited to the operation of the Studio in accordance with this Agreement and all mandatory standards, specifications and operating procedures of the System prescribed from time to time by Franchisor. Franchisee acknowledges that Franchisor has the right to use and license and sublicense the use of the Intellectual Property. Franchisee further acknowledges that the Marks designate the origin of sponsorship of the System, the Studio, and the Products and Services, and that Franchisor desires to protect the goodwill of the Marks and to preserve and enhance the value of the Marks;

(b) All Copyrighted Materials created by Franchisee or any other person or legal entity retained or employed by Franchisee are works made for hire within the meaning of the United States Copyright Act and are the property of Franchisor or its Affiliates, who shall be entitled to use and license others to use the Copyrighted Materials unencumbered by moral rights. To the extent the Copyrighted Materials are not works made for hire or rights in the Copyrighted Materials do not automatically accrue to Franchisor, Franchisee irrevocably assigns and agrees to assign to Franchisor, its successors and assigns, without further compensation, the entire right, title and interest in perpetuity throughout the world in and to any and all rights, including all copyrights and related rights, in such Copyrighted Materials, which Franchisee and the author of such Copyrighted Materials warrant and represent as being created by and wholly original with the author. To the extent such assignment is not permissible under applicable law, Franchisee grants Franchisor an exclusive, perpetual, royalty free and world-wide right to use, and license the use of, any Copyrighted Materials created by or on behalf of Franchisee. Where applicable, Franchisee agrees to obtain any other assignments of rights in the Copyrighted Materials from another person or legal entity necessary to ensure Franchisor's right in the Copyrighted Materials as required in this Section 9.1(b);

(c) Franchisee will never dispute, contest, or challenge, directly or indirectly, the validity or enforceability of the Intellectual Property or Franchisor's (or its Affiliates') ownership of the Intellectual Property, nor counsel, procure or assist anyone else to do the same, nor will it take any action that is inconsistent with Franchisor's ownership of the Intellectual Property, nor will it represent that it has any right, title or interest in the Intellectual Property other than those expressly granted by this Agreement. Any unauthorized use or negligent safeguarding of the Intellectual Property by Franchisee will constitute a breach of this Agreement and an infringement of Franchisor's and its Affiliates' rights in and to the Intellectual Property;

(d) Franchisor may decide to apply to register any trademarks or copyrights with respect to the Services, Products and any other products and services and the Copyrighted Materials. Failure of Franchisor to obtain or maintain in effect any such application or registration is not a breach of this Agreement. Franchisee will not, before or after termination or expiration of the Agreement: (i) register or apply to register any of the Marks or any trademark, service mark, or logo confusingly similar thereto or any Copyrighted Materials, anywhere in the world, (ii) use any Mark with any prefix, suffix, or other modifying words, terms designs or symbols (other than logos licensed to Franchisee under this Agreement); or (iii) use any Mark as part of a domain name, electronic address, or entity or business name maintained on the Internet or any other similar proprietary or common carrier electronic delivery system;

(e) Upon Franchisor's request, Franchisee will cooperate fully, both before and after termination or expiration of this Agreement and at Franchisor's expense, in confirming, perfecting, preserving, and enforcing Franchisor's rights in the Intellectual Property, including, executing and delivering to Franchisor such documents as Franchisor reasonably requests for any such purpose, including, assignments, powers of attorney, and copies of commercial documents showing sale and advertising of the Services and Products and other products and services. Franchisee hereby

irrevocably appoints Franchisor as its attorney-in-fact for the purpose of executing such documents. Franchisee agrees to acknowledge in writing that Franchisor owns the Marks as Franchisor may direct from time to time to comply with applicable law. If Franchisee must by law register one of the Marks as a trademark or trade name, Franchisee must provide Franchisor with prompt written notice thereof. Franchisor shall be the sole party to initiate any registration of the Marks and shall bear all the expenses thereof. If a Mark is registered in Franchisee's name, Franchisee will execute and deliver to Franchisor an assignment or cancellation of such registration.

(f) All usage of the Intellectual Property by Franchisee and any goodwill established by Franchisee's use of the Intellectual Property will inure to the exclusive benefit of Franchisor. This Agreement does not confer any goodwill or other interests in the Intellectual Property to Franchisee upon expiration or termination of the Agreement;

(g) FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE USE, EXCLUSIVE OWNERSHIP, VALIDITY OR ENFORCEABILITY OF THE INTELLECTUAL PROPERTY;

(h) Without limiting the generality of anything else contained herein, Franchisee will not transfer or otherwise, pledge as a security, encumber or otherwise attempt to dispose of the Intellectual Property of Franchisor except as provided in Section 8.6; and,

(i) Franchisor's trade dress is distinctive, non-functional and protectable.

9.2 Franchisee acknowledges and agrees that:

(a) Franchisee's right to use the Intellectual Property is derived solely from this Agreement. Franchisee may only use the Intellectual Property in its operation of the Studio and only in compliance with this Agreement;

(b) Franchisee will not use any Marks or portion of any Marks as part of a corporate or trade name, or with any prefix, suffix or other modifying words, terms, designs or symbols, or any derivative thereof. Franchisee will obtain such fictitious or assumed name registrations as may be required by Franchisor or under applicable law and will indicate in such name registrations that Franchisee is a franchisee of Franchisor;

(c) Franchisee will not use any Marks or portions of any Marks for the purposes of advertising, promotion or marketing on the Internet without prior written consent from Franchisor, and will follow all of Franchisor's directives as to such use;

(d) Franchisee will not use any Marks or portions of any Marks on any business checks;

(e) Franchisee will safeguard and maintain the reputation and prestige of the Intellectual Property and will not do anything that would tarnish the image of or adversely affect the value, reputation or goodwill associated with the Intellectual Property. Franchisee will not do anything that would dilute, directly or indirectly, the value of the goodwill attached to the Intellectual Property, nor counsel, procure or assist anyone else to do the same;

(f) Franchisee will use the Marks and Copyrighted Materials only in lettering, logos, print styles, forms and formats, including, advertising and promotional materials, invoices, signage, business cards, invoices, stationery and promotional items such as clothing, pens and mugs, etc., which have been pre-approved by Franchisor pursuant to this Agreement, and promptly follow



instructions regarding the Marks and Copyrighted Materials as provided in the Manuals and otherwise given by Franchisor from time to time; and,

(g) Franchisor has proprietary and confidential information that it protects under this Franchise Agreement and related agreements and under trade secret law. Such confidential information includes all content of Franchisor's Manuals, everything that Franchisor designates as confidential, all information about Franchisor's training, systems, technology, vendors, and marketing, and non-public information about its franchisees and company operations.

9.3 Franchisee acknowledges and agrees that:

(a) If Franchisor determines that the use of the Intellectual Property in connection with the Services, Products, other products and services or the Studio will infringe or potentially infringe upon the rights of any third party, or it otherwise becomes advisable at any time for Franchisor to modify or discontinue use of the Intellectual Property or any portion thereof, then upon notice from Franchisor, Franchisee will immediately terminate or modify such use in the manner prescribed by Franchisor. Franchisor may require Franchisee to use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols or copyrighted materials. If the change in the Intellectual Property is due to Franchisor's determination of a third party's superior rights, Franchisor will have no liability or obligation whatsoever with respect to Franchisee's modification or discontinuance of any Intellectual Property; and,

(b) Franchisee will notify Franchisor immediately, but in no more than 3 days after receiving notice of any claim, demand or cause of action based upon or arising from any attempt by any other person, firm or corporation to use the Intellectual Property or any colorable imitation thereof. Upon receipt of timely notice of an action, claim or demand against Franchisee relating to the Intellectual Property, Franchisor will have the sole right, but not the duty, to defend or settle any such action. Franchisor will have the sole right to contest or bring action against any third party regarding the third party's use of any of the Intellectual Property. Franchisor will control all actions but not be obligated to take any action. In any defense or prosecution of any litigation relating to the Intellectual Property or components of the System undertaken by Franchisor, Franchisee will cooperate with Franchisor, execute any and all documents, and take all actions as may be desirable or necessary in the opinion of Franchisor's counsel, to carry out such defense or prosecution.

9.4 If Franchisee during the Term or any Renewal Terms, conceives of or develops any improvements or additions to the System, Intellectual Property, or any other inventions, conceptions, developments, discoveries, works of authorship, documents or other information pertaining to or relating to the System, Services, Products or the Studio, methods of operations, or any new trade names, trade or service marks, logos or commercial symbols related to the System or Studio or any advertising or promotional ideas, inventions or know-how related to the System or Studio (collectively, the "**Improvements**") Franchisee will fully disclose the Improvements to Franchisor, without disclosure of the Improvements to others, and will obtain Franchisor's written approval before using such Improvements. All such Improvement will become the property of the Franchisor and may be used by Franchisor and all other franchisees without any obligation to Franchisee for royalties or other fees. Franchisee will assign and does hereby assign to Franchisor, all right, title and interest in and to the Improvements, including the right to grant sublicenses to any such Improvement. To the extent that such assignment is not permissible under applicable law, Franchisee hereby provides a world-wide, exclusive, perpetual, and royalty free right to use, and license the use of, the Improvements.

## 10. ADVERTISING AND PROMOTION

10.1 All of Franchisee's advertising and marketing will be subject to Franchisor's requirements and specifications (in addition to the approvals described below).

10.2 Franchisee will not advertise outside its Authorized Territory without Franchisor's prior written approval.

10.3 Franchisee will only use Franchisor approved advertising materials and must advertise Services and Products for sale only via Franchisor approved methodologies and channels. Franchisee will obtain Franchisor's prior written consent and follow its standards and specifications in establishing or maintaining any Internet presence or activities, including social media accounts. Franchisee will not use any Mark or portion thereof, in any domain or account name on the Internet, other than as provided or approved by Franchisor. Franchisee may be required to use Franchisor's designated third party advertising and marketing vendor for print or other advertising or marketing collateral. Franchisor will use reasonable best efforts to approve or disapprove Franchisee's request to use proposed Internet activities in writing within 10 days after Franchisee submits a request and materials for review. If Franchisor takes no action, the Internet activities will be deemed not approved by Franchisor. Franchisor may make available to Franchisee advertising and promotion materials for the Studio that are used by Franchisor and/or other franchisees. Franchisee must pay placement and duplication costs of any advertising or promotion material provided by Franchisor. If Franchisor does not provide certain specific types of print or other advertising materials, Franchisee may develop such materials for its own use, at its own cost, but must comply with Franchisor's brand guidelines and requirements in the development of such advertising materials.

10.4 Franchisor has the right to designate local advertising markets and if designated, Franchisee must direct its advertising and marketing to the cooperative programs in its designated local advertising market (a "**Cooperative**"). If established, each Studio within a designated local marketing area will be a member of the Cooperative and each such Studio will have one vote on all matters requiring a vote. Each Cooperative's purpose is, with Franchisor's approval, to administer advertising programs or initiatives and to develop advertising, marketing and promotional materials for the local advertising market that the Cooperative covers. Franchisor reserves the right to designate the bylaws that govern the operation of the Cooperatives, although the bylaws cannot modify the voting structure set forth in the previous sentence. Franchisor may change, dissolve or merge Cooperatives.

10.5 Franchisor has created a fund for marketing of the System ("**Marketing Fund**"). Franchisee will pay a Marketing Fund fee at the same time Franchisee remits payment of its Royalty Fee payments in accordance with Section 4.3 above. The Marketing Fund fee shall be 2% of Gross Revenues. The Marketing Fund fee is nonrefundable and shall be deemed earned upon receipt.

10.6 Franchisor reserves the right to use the Marketing Fund fees in the Marketing Fund to develop, prepare and place advertising (including broadcast, print or other media) for use by franchisees generally, on behalf of the entire System, or on behalf of a particular region, that may not include Franchisee or Franchisee's Authorized Territory. Franchisee acknowledges that the Marketing Fund is intended to maximize the general brand recognition of the System, and that Franchisor is not obligated to expend the Marketing Fund in the equivalent or proportionate amount as the Marketing Fund fees paid by Franchisee, on Franchisee's behalf or for its benefit.

10.7 Franchisor will have sole right to determine how to spend contributions to the Marketing Fund, or funds from any other advertising program, and discretion over the actual advertising materials and programs. Franchisor will use the Marketing Fund to promote the System, Services and Products sold by Franchisees. Franchisor (or a representative designated by Franchisor) administers the Marketing Fund. All payments to the Marketing Fund must be spent on advertising, public relations, market and customer

research, promotion, marketing of Products and services provided by Franchisor, outside vendors, marketing agencies, Franchisor's Internet activities (a portion of which may be used to solicit potential franchisees), and administration of the Marketing Fund, including, salaries, overhead, administrative, accounting, collection, legal costs and expenses. Funds collected for the Marketing Fund may be deposited in Franchisor's general operating account and commingled with Franchisor's general funds. Franchisor will administratively segregate the Marketing Funds on its books and records. The Marketing Fund is not a trust, and Franchisor does not owe Franchisee fiduciary obligations because of Franchisor's administration, maintaining or directing the Marketing Fund or for any other reason. An annual unaudited financial statement of the Marketing Fund, at the expense of the Marketing Fund, shall be available 120 days after Franchisor's fiscal year end to Franchisee for review once a year upon written request by Franchisee.

10.8 The Marketing Fund may be terminated at any time by Franchisor. In the event that the Marketing Fund is terminated, any remaining balance in the Marketing Fund will be expended as provided for in Section 10.7 or returned to franchisees of the System on a pro-rata basis.

10.9 Franchisee will fully participate in all promotional campaigns, prize contests, membership rewards, membership reciprocity and other programs, national, regional or local in nature (including the introduction of new Services, Products or other marketing programs directed or approved by Franchisor), which are prescribed from time to time by Franchisor. Franchisee will be responsible for the costs of such participation. Franchisee may choose to honor discount or payment coupons, gift certificates or other authorized promotional offers of Franchisor at Franchisee's sole cost, and unless otherwise specified in writing by Franchisor, Franchisee's honor of the same will not in any way decrease or otherwise serve as a credit towards the satisfaction of the Franchisee's Marketing Fund fee described in Section 10.5. Franchisee will maintain an adequate supply of marketing brochures, pamphlets and promotional materials as may be required by Franchisor from time to time.

10.10 With the exception of any negligence on the part of Franchisor, Franchisor (and any designee of Franchisor) will have no direct or indirect liability or obligation to Franchisee or the Marketing Fund or otherwise with respect to the management, maintenance, direction, administration or otherwise of the Marketing Fund. Franchisee's and Franchisor's rights and obligations with respect to the Marketing Fund and all related matters are governed solely by this Agreement and neither this Agreement nor the Marketing Fund creates a trust, fiduciary relationship or similar arrangement.

## **11. INSURANCE AND INDEMNITY**

### **11.1**

(a) Franchisee will, upon commencement and throughout the Term, purchase and at all times maintain in full force and affect insurance policies in such amounts and on such terms as prescribed by the Manuals, from an insurance company acceptable to Franchisor with a Best's Credit Rating of A- or better. Insurance coverage must include comprehensive general liability, combined single limit; business interruption; unemployment and workers compensation; employment practices (EPLI) including unfair labor practices, joint employer, sexual harassment, abuse and molestation; data breach, privacy breach, and cybercrime; coverage required by the terms of any lease or lender; bodily injury and all-risk property damage; and all other occurrences, against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manuals and as required by any lender or landlord. Franchisor may increase the minimum insurance requirements, establish or change deductible limits, and require that Franchisee procures and maintains additional forms of insurance. Franchisee must comply with all changes within 30 days. Franchisor does not represent or warrant that the minimum insurance coverage required will be sufficient for all of Franchisee's purposes.

(b) All insurance policies must insure Franchisee, Franchisor, Franchisor's Affiliates, and their respective officers, directors, shareholders, employees, agents, members, and all other parties designated by Franchisor, as additional named insureds against any liability which may accrue against them because of the ownership, maintenance or operation by Franchisee of the Studio. The policies must also stipulate that Franchisor will receive a 30-day prior written notice of any change or cancellation and must contain a waiver of subrogation in Franchisor's favor. Original or duplicate copies of all insurance policies, certificates of insurance, or other proof of insurance acceptable to Franchisor, including original endorsements effecting the coverage required by this Section, will be furnished to Franchisor together with proof of payment within 10 days of issuance thereof and after each of the following events: (i) at all policy renewal periods, no less often than annually, and (ii) at all instances of any change to, addition to, or replacement of any insurance. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements are subject to approval by Franchisor. Franchisor reserves the right to require complete, certified copies of all required insurance policies at any time. In the event Franchisee fails to obtain the required insurance and to keep the same in full force and effect, Franchisor may, but shall not be obligated to, purchase insurance on Franchisee's behalf from an insurance carrier of Franchisor's choice, and Franchisee will reimburse Franchisor for the full cost of such insurance, along with a reasonable service charge of up to 18% the cost of such insurance to compensate Franchisor for the time and effort expended to secure such insurance, within five days of the date Franchisor delivers an invoice detailing such costs and expenses to Franchisee. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling Franchisor to terminate this Agreement or exercise any or a combination of the other default remedies set forth in Section 16 of this Agreement. Franchisee will also procure and pay for all other insurance required by law. Franchisor reserves the right to modify minimum insurance requirements at any time by updating the Manuals and advising Franchisee in writing.

(c) All liability insurance policies procured and maintained by Franchisee in connection with the Studio will require the insurance company to provide and pay for attorneys to defend any legal actions, lawsuits, or claims brought against Franchisee, Franchisor, Franchisor's Affiliates and their respective officers, directors, agents, shareholders, members, employees and all other Business Entities or individuals designated by Franchisor as additional insureds.

11.2 Franchisee will, during the Term and after the termination or expiration of the Agreement, indemnify and defend Franchisor and its Affiliates and their respective officers, directors, shareholders, employees, agents, and members, and hold them harmless against all claims, demands, losses, damages (including punitive damages), costs, suits, judgments, penalties, expenses (including reasonable attorneys' fees and amounts paid in settlement or compromise) and liabilities of any kind, whether or not ultimately determined to be meritorious, for which they are held liable, or which they incur (including attorney and client costs, travel, investigation, and living expenses of employees and witness fees) as a result of or arising out of:

(a) Franchisee's breach of this Agreement, or any other agreement between the parties, or any breach of any Acquisition Documents or other instrument by which the right to occupy the Franchised Location is held, by Franchisee;

(b) any injury to or loss of property of, any person in or on, Franchisee's Franchised Location;

(c) the taxes, liabilities, costs or expenses of Franchisee's Studio;

(d) any negligent or willful act or omission of Franchisee, its officers, directors, members, shareholders, employees, agents, servants, contractors or others for whom it is, in law, responsible;

(e) any advertising or promotional material distributed, broadcasted or in any way disseminated by Franchisee, or on its behalf unless such material has been produced, or approved in writing, by Franchisor;

(f) libel, slander or any other form of defamation of Franchisor, the System or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals; and,

(g) any claims brought in connection with Franchisee's operation of the Studio including any claims of Franchisee's employees, clients or governmental authority.

## 12. RELATIONSHIP

12.1 Franchisee acknowledges that it is an independent contractor and not an agent, subsidiary, servant, partner, joint venturer, principal or employee of Franchisor for any purpose, and that no training or supervision given by, or assistance from Franchisor will be deemed to negate such independence. Franchisor and Franchisee agree that no partnership, fiduciary relationship, joint venture, agent, principal or employment relationship exists between them. Franchisee will conspicuously identify itself in all dealings with the public and its employees as an independent operator that is an individual or legal entity separate from Franchisor and will place the notices of independent ownership and operation required by Franchisor on signs, forms, stationery, advertising and other materials conspicuously in its place of business and in relevant communications, and will state that Franchisor has no liability for the business being conducted from the Franchised Location. For example, in all forms used with vendors, customers and employees (including paychecks), Franchisee must use its full legal entity name, and may not use any of the Marks, including B3®, Barre3® or any Franchisor owned design mark, unless approved in writing. Use of the Marks will not be permitted on employee forms. Franchisee agrees that it will not hold itself out as the agent, employee, subsidiary, servant, partner or co-venturer of Franchisor.

12.2 Franchisee will be solely responsible for its own operations and employees, including hiring, supervision, management, firing, discipline, and other employment practices. All employees hired by or working for Franchisee will be the employees of Franchisee and will not, for any purpose, be deemed to be employees or joint-employees of Franchisor or subject to Franchisor control. By Franchisor providing instructor training programs, or exercising its right to require additional training or retraining, and its right to deny certification of Franchisee or its employees, will not negate or alter the status of such individuals as solely employees of Franchisee, nor do they indicate in any way that Franchisor is the employer or joint-employer of Franchisee's employees. Each party agrees to file its own tax, regulatory, and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party from any related liability whatsoever. Franchisee will notify its employees in writing that Franchisee is their employer and that Franchisor is not their employer or joint employer; and Franchisee will provide Franchisor with the signed acknowledgement form at **Attachment G** hereto (or Franchisor's then-current form) before each employee starts to work for Franchisee.

12.3 The parties agree that Franchisee has no authority to create or assume in Franchisor's name or on behalf of Franchisor, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Franchisor for any purpose whatsoever. Neither party will make any express or implied agreements, representations, guarantees or warranties or incur any debt (except by Franchisor in advertising or otherwise as provided herein) in the name of, or on behalf of the other party. Neither party will be obligated by, nor have any liability for, any agreements, representations, guarantees or warranties,

obligations, or debt incurred or made by the other (except by Franchisor in advertising as provided herein) nor will Franchisor be liable for any damages to any person or property directly or indirectly, arising out of the operation of Franchisee's Studio, whether caused by Franchisee's negligent or willful action or failure to act.

12.4 Franchisor will have no liability for Franchisee's obligations to pay any third parties, including, any product vendors, or any value added, sales, use, service, occupation, excise, Gross Revenues, income, property, or other tax levied upon Franchisee, Franchisee's property, the Franchised Location, Studio or upon Franchisor in connection with the sales made or business conducted by Franchisee (except any taxes Franchisor is required by law to collect from Franchisee with respect to purchases from Franchisor).

12.5 If Franchisee is a legal entity, prior to the execution of this Agreement, it will deliver to Franchisor a copy of its current articles of incorporation or organization, bylaws, operating or partnership agreement, and any other certificates of formation and charter documents. Throughout the Term, Franchisee will provide Franchisor with copies of all amendments, consents and other activities of the entity that are typically documented in accordance with good business practices. If Franchisee issues any ownership interest in the entity, it will include in each conveyance documentation the following language: "The transfer of ownership interest represented by this conveyance is subject to the terms and conditions of that certain "Barre3® Franchise Agreement" dated \_\_\_\_\_ between \_\_\_\_\_ and B3 Franchising LLC, an Oregon, USA limited liability company, a copy of which is on file with the transferring company."

12.6 Franchisor's officers, directors, shareholders, employees, personnel, agents and representatives act only in a representative capacity, and not in an individual capacity, with relation to dealings with Franchisee, which will be strictly construed as between Franchisor and Franchisee.

### 13. RESTRICTIVE COVENANTS

13.1 Franchisee agrees that:

(a) Franchisee's knowledge of the System is derived from Franchisor's Confidential Information. Franchisee further agrees that all of the Confidential Information is the sole property of Franchisor and represents valuable assets of Franchisor. Franchisee will not acquire any interest in the Confidential Information, but will only have the right to utilize the Confidential Information to the extent permitted by this Agreement, and only during the Term.

(b) During the Term, any Renewal Terms, and for five years after termination, Transfer or expiration of this Agreement, Franchisee, and Franchisees' owners, agents, and employees (the "**Franchisee Parties**"): (1) will not use the Confidential Information in any other business or capacity or for their own benefit; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information; and (4) will adopt and implement all reasonable procedures to prevent unauthorized use or disclosure of the Confidential Information including requiring Franchisee's immediate family members, employees, Instructors, Operations Managers, Instructor Mentors, training class attendees, Franchisee's owners and spouses or legal domestic partners who have access to the Confidential Information to execute such nondisclosure and noncompetition agreements as Franchisor may require periodically, and provide Franchisor, at Franchisor's request, with signed copies of each of those agreements. As of the date of this Agreement, Franchisor requires the Franchisee Parties to execute the applicable nondisclosure and non-compete agreements provided on **Attachments F and G**.

(c) Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) Confidential Information that enters the public domain other than by direct or indirect action or inaction by Franchisee or its owners, agents or employees or others acting by or through them; (b) the required disclosure of so much of the Confidential Information to the extent that Franchisee is legally compelled to disclose the information if Franchisee has notified Franchisor before disclosure, and afforded Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed. In addition, nothing in this Agreement prohibits Franchisee from reporting to any governmental authority information concerning possible violations of law or regulation and Franchisee may disclose trade secret information to a government official or to an attorney and use it in certain court proceedings without fear of prosecution or liability, provided Franchisee does so consistent with 18 U.S.C. 1833. This provision shall not be construed as altering Franchisee's status as an independent contractor or any other provision of Section 12.

13.2 Franchisee agrees that:

(a) During the Term of this Agreement, Franchisee, and Franchisee's officers, directors, principals, employees, agents and any member of the immediate family of the parties above, may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or legal entity, own, maintain, engage in, assist, be employed as an officer, director, or principal of, offer consultation or advice to, provide services to, lend money to, extend credit to, guarantee the debts or obligations of, or have any interest in any other business that operates or grants licenses or franchises for the operation of a Competitive Business.

(b) During the Term of this Agreement, Franchisee, or if Franchisee is an entity, its Designated Owner, or if applicable, its Operations Manager, may not be employed by any other business.

(c) For a period of two years after the expiration, Transfer, or termination of this Agreement, Franchisee, and Franchisee's officers, directors, principals, employees, agents, and any member of the immediate family of the parties above may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, legal entity: (i) own, maintain, engage in, be employed as an officer, director, or principal of, offer consultation or advice to, provide services to, lend money to, extend credit to, guarantee the debts or obligations of, or have any interest in any other business that operates or grants licenses or franchises for the operation of a Competitive Business by any means, including without limitation virtually, online or in person, within the Authorized Territory, and within the distance from the boundary of the Authorized territory that any customer of Franchisee has traveled from home or work, but not to exceed a 25 mile radius of any boundary of the Authorized Territory, and within 25 miles of any Franchisor or Affiliate owned Studio, and of any other franchisee's Studio; or (ii) solicit customers of Franchisee's former Studio, or contact any of Franchisor's suppliers, vendors or customers for any competitive business purpose.

13.3 If any person restricted by this Section 13 refuses to voluntarily comply with the foregoing obligations, the two-year period described above will commence with the entry of any order of a court enforcing this Section 13.

13.4 If any provision in this Section 13 is void or unenforceable under Oregon, law, but would be enforceable as written or as modified under local laws, the parties agree that such local laws will govern any dispute concerning or involving the construction, interpretation, validity or enforcement of the provisions of this Section 13, but only with respect to those subjects. Franchisee expressly authorizes

Franchisor to conform the scope of any void or unenforceable covenant in order to conform it to applicable laws. Franchisee expressly agrees to be bound by any modified covenant conforming to the local laws as if originally stated in this Agreement. FRANCHISEE EXPRESSLY ACKNOWLEDGES THAT IT POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE FRANCHISEE OF THE ABILITY TO EARN A LIVING.

13.5 Nothing in this Section 13 will prevent any active officer of Franchisee or member of Franchisee's family either individually or collectively, from owning not more than a total of 5% of the stock of any Competitive Business that is publicly traded, provided that Franchisee is not involved in the management or operation of that business and does not serve or assist that business in any capacity other than as a shareholder.

13.6 Franchisee acknowledges that Franchisor would not have entered into this Agreement or shared the Intellectual Property or Confidential Information with Franchisee absent Franchisee's agreement to strictly comply with the provisions of this Section 13. Franchisee acknowledges that a breach of the covenants contained in this Section 13 will be deemed to threaten immediate and substantial irreparable injury to Franchisor. Accordingly, notwithstanding Section 19, Franchisee agrees that Franchisor will have the right, without prior notice to Franchisee, to obtain immediate injunctive relief without limiting any other rights or remedies and without posting a bond.

13.7 This Section 13 will also apply to the officers, directors, owners, immediate family members, partners, trustees, Operations Managers, Instructor Mentors, Instructors, beneficiaries and principals of Franchisee, Franchisee, and any persons controlled by, controlling, or under common control with Franchisee.

## 14. ASSIGNMENT

14.1 Franchisor will have the right to Transfer all or any part of Franchisor's assets, including the Intellectual Property, and Franchisor's interest in, and rights and obligations under this Agreement in Franchisor's sole discretion. Franchisee expressly and specifically waives any claims, demands or damages against Franchisor arising from or related to any such Transfer.

14.2 Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee (or its owners, if Franchisee is a legal entity), and Franchisor has entered into this Agreement in reliance upon Franchisor's perception of the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee (or its owners, if Franchisee is a legal entity). Accordingly, this Agreement, Franchisee's rights and interests hereunder, the property and assets owned and used by Franchisee in connection with the Studio and any shares, stock, membership or interest in any corporation, limited liability company, or other legal entity having a controlling interest in the Studio, will not be voluntarily or involuntarily, directly or indirectly sold, pledged, assigned, transferred, shared, subdivided, sub-franchised, encumbered or transferred in any way (including, in the event of the death of Franchisee if Franchisee is an individual), in whole or in part, in any manner whatsoever without the prior written approval of Franchisor and compliance with all terms of this Section 14. Any unauthorized Transfer or other conveyance, by operation of law or otherwise, including any assignment by a trustee in bankruptcy, or any attempt to do so, will be a material default hereunder, will be deemed void and will entitle Franchisor to immediately terminate this Agreement.

14.3 With and after each valid Transfer pursuant to this Section 14, the transferee or transferees of Franchisee will be deemed to be Franchisee and will be bound by and liable for all of Franchisee's prior, existing and future obligations ("Transferee"). No interest holder in any legal entity which becomes a



Franchisee after a Transfer will have any rights under this Agreement by reason of his, her or its stock ownership, membership interest or partnership interest.

14.4 If Franchisee at any time determines to make a Transfer, Franchisee will (i) obtain a bona fide, executed, written offer from a responsible, arms' length, and fully disclosed purchaser ("**Purchase Offer**") and (ii) will submit an exact copy of such Purchase Offer to Franchisor within five days of receipt and at least sixty days prior to the proposed effective date of the Transfer, with the then-current and nonrefundable transfer application fee, which as of the date of this Agreement is \$1,500. Franchisor then will have a right of first refusal to purchase the Studio as provided in Section 15.

14.5 No Transfer will be approved by Franchisor or be effective unless and until all the following conditions are satisfied:

(a) Franchisee being then in full compliance with this Agreement and paying to Franchisor and third party creditors all outstanding debts or amounts owing; and submitting to Franchisor all required reports and statements;

(b) Transferee executes Franchisor's then current Franchise Agreement (which will supersede this Agreement and may contain provisions substantially different from those contained herein, including a higher royalty and greater expenditures for marketing and promotion than are provided hereunder, and such other documents then customarily used by Franchisor to grant franchises), and all other documents as may be reasonably requested by Franchisor. Transferee must also sign the renewal addendum attached to this Agreement. Franchisor may at its option waive these requirements, and may instead allow Franchisee to assume the original franchise agreement, in which case the parties will sign Franchisor's form of an assumption, consent, and mutual release agreement. Franchisor has sole discretion whether to allow a transferee to receive the full initial term contained in any such franchise agreement, or just Franchisee's remaining term.

(c) Franchisee or Transferee first pays to Franchisor a transfer fee in the amount of fifty percent (50%) of the current Initial Franchise Fee (the "**Transfer Fee**"). If Franchisor approves the Transfer, the transfer application fee will be applied to the Transfer Fee. No Transfer Fee is required if an owner of Franchisee transfers his or her interest in a Franchisee entity to another owner who is already a 50% or more owner, and who is already the Designated Owner approved by Franchisor, and who remains the majority owner of Franchisee. There is also no Transfer Fee if Transferee is a new legal entity of which the existing Franchisee is the sole owner and if the Designated Owner does not change. Franchisee acknowledges and agrees that, if Franchisor is involved in locating a purchaser for Franchisee's Studio, Franchisor will be entitled to receive a sales commission in addition to the Transfer Fee. The sales commission is equal to 25% of the then-current Initial Franchise Fee;

(d) Franchisee's execution of a general release of Franchisor, including its officers, directors, agents, employees and Affiliates from such parties' obligations under the Agreement in a form satisfactory to Franchisor;

(e) Franchisor approves the material terms and conditions of such Transfer, including, that the price and terms of payment are not so burdensome as to adversely affect the Transferee's business as Franchisee of Franchisor;

(f) If Franchisee (and its transferring owners) finances any part of the sale price of the transferred interest, Franchisee and its owners agree that all obligations of the Transferee under any promissory notes, agreements or security interests will be subordinate to the Transferee's obligation

to pay fees and other amounts due to Franchisor and its Affiliates and otherwise to comply with this Agreement;

(g) The parties to the proposed transaction will have entered into a binding agreement subject only to the rights of Franchisor set out in Section 15. Franchisor will be furnished a copy of this binding agreement, and such agreement will be subject to Franchisor's approval in writing. Franchisee must advise each prospective Transferee of this provision and the other terms of this Agreement;

(h) Franchisee (and its transferring owners and their spouses and legal domestic partners) executes an assumption of Franchisee's obligations, Franchisor's standard form Nondisclosure and Noncompetition Agreement, and a personal guarantee in forms similar to those provided on **Attachments C and F**, in favor of Franchisor and the Transferee with terms the same as those set forth herein;

(i) The proposed Transferee will have demonstrated to Franchisor's satisfaction that it, he or she will meet in all respects Franchisor's standards applicable to new franchisees regarding experience, personal reputation, financial health, willingness and ability to devote its, his or her full time and best efforts to the operation of the Studio, and any other conditions Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed Transferee as Franchisor may reasonably require;

(j) Transferee, or Transferee's Designated Owner, and, if applicable, the Operations Manager, must (i) complete the next available Operator Training Program after the date of Transfer; and (ii) pay all related training fees in accordance with this Agreement;

(k) Transferee's Instructor Mentor must complete the self-guided Instructor Mentor Training Program as soon as possible, but no later than 30 days, after the date of Transfer or if such training is provided in person, Transferee must pay all related training fees in accordance with this Agreement;

(l) Franchisee will upgrade the Franchised Location to Franchisor's then-current standards before the Studio is transferred to the new Transferee; and,

(m) Franchisee agrees to keep the Studio in full operation pending the consummation of the Transfer and the satisfaction of all conditions to the Transfer. If Franchisee is unable or unwilling to keep the Studio in operation during this time period, then Franchisor will have the right to temporarily operate the Studio upon the same terms and conditions set forth in Section 16.4(a) until such time as the Transfer has been finalized and the Transferee has taken over the operation of the Studio.

No Transfer to a Transferee who directly or indirectly has an interest in a Competitive Business will be permitted.

14.6 Notwithstanding anything to the contrary in this Agreement, if Franchisee is an individual, then Franchisor shall, upon Franchisee's compliance with such requirements as may from time to time be prescribed by Franchisor (including the obtaining of all necessary approvals to the assignment of a lease, if any, for the Franchised Location), consent to a Transfer of Franchisee's right, title, and interest in and to this Agreement to a legal entity which is wholly owned and controlled by Franchisee, subject to the following (provided that such Transfer will in no way release Franchisee from any liability under this Agreement):

(a) Contemporaneously with such Transfer each owner of the legal entity must sign a personal guarantee and non-competition agreement in a form satisfactory to Franchisor, and must have any spouse or legal domestic partner do so;

(b) Franchisee must be in compliance with this Agreement;

(c) No shares or interest in the capital of such legal entity will be issued nor will Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, transfer any such shares or interest or offer or attempt to do so or permit the same to be done without Franchisor's prior written consent; and,

(d) The articles of incorporation, articles of organization, operating agreement, partnership agreement, shareholder agreement, or by-laws of the legal entity will provide that its objectives or business is confined exclusively to the operation of the Studio as provided for in this Agreement, and recite that the issuance and Transfer of any shares, membership interest, partnership interest or other interest is restricted by the terms of this Agreement, and copies thereof will be furnished to Franchisor upon request.

14.7 If Franchisee is a legal entity, each shareholder, member, or partner of the legal entity which is granted the rights to serve as the Franchisee hereunder will be a party to a shareholders' agreement, operating agreement or partnership agreement which will provide, inter alia, that upon any dissolution of the legal entity, or upon any divorce decree among the parties who are also shareholders, members or partners, that ownership of the shares, membership interest or partnership interest will be transferred to the shareholder, member or partner for agreed upon consideration, which has primary responsibility for operations, sales and marketing activities, typically the President, following any such dissolution or decree. The form and content of the shareholders' agreement, operating agreement or partnership agreement must be approved by Franchisor before execution. Franchisee's failure to comply with this Section 14.7 will constitute a material default of this Agreement.

14.8 Subject to the provisions of this Section 14, if a Transfer occurs due to the death or Incapacity of a Franchisee that is a natural person, or, if Franchisee is a legal entity, any person owning enough equity or voting interests of the legal entity to result in a Change of Control, the spouse or legal domestic partner, heirs, executor or personal representative of the deceased or incapacitated person, or the Franchisee's remaining shareholders, members, partners or owners, as appropriate to the circumstance (collectively, "Successor") shall have 90 days from the date of death to (i) qualify themselves to become a franchisee by satisfying the requirements of Section 14.5; or (ii) complete the Transfer of the interest to a qualified, approved third party under Sections 14.4 and 14.5. In either (i) or (ii), the Successor or third party must satisfy all of the conditions and obtain Franchisor's consent to complete the Transfer. At the end of the 90-day period, if the Successor has not obtained Franchisor's consent to complete the Transfer, Franchisor may, at its election, terminate this Agreement.

14.9 Immediately following the date of death or Incapacity, if the Successor is unable to demonstrate to Franchisor's reasonable satisfaction that the Successor has the financial ability and business skills to operate the Studio in accordance with the requirements of this Agreement, or Franchisee's Successor has not satisfied the conditions of Section 14.5 to Franchisor's satisfaction, in its sole discretion, during the interim period until the Successor is able to obtain Franchisor's consent to complete the Transfer, Franchisor will have the absolute right to occupy the Franchised Location and assume day-to-day management of all aspects of the Studio for the account of Franchisee. In addition to receiving the fees due to Franchisor under this Agreement, Franchisee will pay Franchisor (i) a management fee in the then-current amount published in the Manuals, and (ii) for all of its direct costs and expenses in rendering management services. The Successor's failure or refusal to cooperate with Franchisor's right to manage the Studio during the interim period required by this Section 14.9 will constitute a material breach of this Agreement.

If Franchisor elects to temporarily operate the Studio on behalf of Franchisee, Franchisee hereby agrees to indemnify and hold harmless from any and all claims arising from the acts and omissions of Franchisor and its employees and representatives.

14.10 The parties recognize that Franchisor's right to manage the Studio is primarily intended to facilitate an orderly transition of ownership with minimal disruption to the Studio's continuous operation. Franchisor will manage the Studio only until the Successor obtains Franchisor's consent to the Transfer, but in no event will Franchisor be required to manage the Studio for longer than 90 days. By mutual agreement of Franchisor and the Successor, the period of Franchisor's management may be extended for longer than 90 days, but in no event will it extend beyond one year from the date of death or Incapacity. If the Successor cannot obtain Franchisor's consent to a proposed transferee by the end of one year, Franchisor may terminate this Agreement. During the time that Franchisor manages the Studio, Franchisor shall periodically discuss the status of the Studio's operations and financial results with the Successor and provide suitable current information about the Studio's performance as the Successor may reasonably require. If the Successor does not obtain Franchisor's consent to the Transfer, within 90 days of the death or Incapacity, Franchisor will have the right to terminate this Agreement and to take possession of its Intellectual Property, including any equipment or supplies bearing the Marks or trade dress that had been used in relation to the operation of the Studio and Franchised Location, and remove the same from the Franchised Location.

14.11 Any attempt by Franchisee to Transfer any of its rights or interest under this Agreement, without having received Franchisor's prior written consent, will constitute a breach of this Agreement. However, if Franchisee dies and his or her personal representative does not desire to sell the Studio, and if under controlling local law Franchisee's interest in the Studio and this Agreement are distributable to heirs or legatees who are members of his or her immediate family and who otherwise would qualify as assignees, then such attempted assignment by operation of law will not be deemed in violation of this Agreement, provided that such heirs or legatees accept the conditions imposed on otherwise permitted assignees.

## **15. OPTION TO PURCHASE — RIGHT OF FIRST REFUSAL**

15.1 Unless otherwise explicitly provided by this Agreement, Franchisor will be entitled to exercise the rights provided in this Section immediately upon:

- (a) The expiration without renewal or the termination for any reason of this Agreement; or,
- (b) The receipt by Franchisor of a copy of a Purchase Offer.

15.2 Upon any event described in Section 15.1, Franchisor will have the option to purchase all of Franchisee's rights, title and interest in the Studio (together with and including all real or personal property, leasehold improvements and other assets used by the Franchisee in the Studio and at the Franchised Location).

15.3 The purchase price for the assets of the Studio and the Franchised Location will be, subject to Section 15.4: (i) the current fair market value (as further defined below) if Section 15.1(a) is applicable; or (ii) the price specified in the Purchase Offer received by Franchisee if Section 15.1(b) is applicable. If Franchisee and Franchisor cannot agree on fair market value within a reasonable time, an independent appraiser will be designated by Franchisee and Franchisor separately, and an average of the two appraised values will be binding. Appraised current fair market values under Section 15.1(a) will exclude any and all consideration for goodwill or going concern value created by the Marks and the System licensed to Franchisee as well as the value of any leasehold fixtures.

15.4 If Franchisor elects to exercise any option to purchase provided in this Section 15, Franchisor will have the right to set off all amounts due from Franchisee under the Agreement or any other agreements between the parties, any commissions or fees payable to any broker, agent or other intermediary and the cost of the appraisal, if any, against any payment. Franchisor will also have the right to substitute cash for any other form of consideration specified in the Purchase Offer and to pay in full the entire purchase price at the time of closing. Franchisor generally will not assume, and therefore may exclude from its purchase, unsecured liabilities and payables. Franchisor may also exclude any items not complying with the then-current Manuals, and items not usable in the Studio.

15.5 Franchisor will notify Franchisee of its intention to exercise or not exercise its rights to purchase (“**Notice of Intent**”) within 60 days following an event described in Section 15.1(a) or within 15 days following an event described in Section 15.1(b). The Notice of Intent will specify the assets to be purchased, and the current fair market value as determined by Franchisor if Section 15.1(a) is applicable. In the event Franchisor is purchasing the assets pursuant to Sections 15.1(a), Franchisee will have 14 days following receipt of Franchisor’s Notice of Intent to object to any of the prices specified therein, and any disputes over pricing shall be resolved through appraisal. If Franchisor declines to exercise its rights under this Section or provide Franchisee with Notice of Intent, within the 15- or 60-day period described above, as applicable, Franchisee may thereafter sell or dispose of the assets (i) to any third party in the event of a sale under Section 15.1(a), subject, however, to Franchisee’s strict compliance with Section 16.8 below regarding the return and discontinued use of the Intellectual Property (or any assets identified by the Marks), or (ii) to the third party identified in the Purchase Offer in the event of a sale under Section 15.1(b), but not at a lower price nor on more favorable terms than set forth in the Purchase Offer, if any, or the Notice of Intent and subject to the prior written permission of Franchisor and satisfaction of the other conditions to assignment set forth in Section 14. If the sale to such third party purchaser is not completed within 90 days after Franchisor delivers the Notice of Intent to Franchisee, Franchisor will again have the right of first refusal herein provided. Franchisee acknowledges and agrees that any sale under Section 15.1(b) is subject to Franchisee’s strict compliance with Section 16.9 and the sale of assets to a third party will not include the assets that are considered Franchisor’s property under Section 16.9.

15.6 If Franchisor provides Franchisee with its Notice of Intent to exercise its rights under this Section 15, the purchase and sale contemplated in this Section shall be consummated as soon as possible. Unless otherwise agreed by the parties, the purchase price shall be payable quarterly, in four equal installments, commencing at the time ownership of the Studio and all of its assets, as well as the right to occupy the Franchised Location are transferred to Franchisor. In the event Franchisor is purchasing the assets pursuant to Sections 15.1(a), following the delivery of a Notice of Intent as specified in Section 15.5, Franchisor or Franchisor’s designee shall have the immediate right to take possession of the Studio and to operate and develop the Studio for the exclusive benefit of Franchisor or its designee.

15.7 Franchisor shall not be required, by exercise of its rights under this Section 15, to perform any obligations of the potential third party purchaser which are incidental to the sale of the Studio, including the fulfillment of employment agreements, broker fees, commissions, or otherwise.

## **16. DEFAULT AND TERMINATION**

16.1 This Agreement will terminate immediately upon written notice and without any opportunity to cure, if:

- (a) Franchisee, or its Designated Owner, makes an assignment for the benefit of creditors, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under bankruptcy or any other law, or consents to or acquiesces in the appointment of a trustee or receiver for itself or the Studio;

- (b) Proceedings are commenced to have Franchisee adjudicated as bankrupt or to seek the Franchisee's reorganization under any bankruptcy or insolvency law, and such proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for Franchisee or the Studio without the Franchisee's consent, and the appointment is not vacated within 60 days;
- (c) Franchisee makes or attempts to make a Transfer in violation of this Agreement;
- (d) Franchisee or any of its officers, directors, shareholders, members, managers, general partners or guarantors is convicted of or pleads guilty or no contest to a felony charge, or engages in any criminal conduct, misconduct, or fraud in the operation of the Studio;
- (e) Franchisee or its principals violate any provision of this Agreement related to the Intellectual Property or the disclosure of any Confidential Information to any unauthorized person;
- (f) Franchisee violates any health, safety or sanitation law, ordinance or regulation or operates the Studio in a manner that presents a health or safety hazard to anyone;
- (g) Franchisee violates Section 4.6 or 13.2(a);
- (h) Any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer; or if a lien, writ, attachment, or execution is levied against the Studio or any of the property used in the operation of the Studio, and is not discharged within five days;
- (i) Franchisee voluntarily or otherwise abandons the Studio. The term "abandon" includes: any conduct which indicates a desire or intent to close the Studio or to discontinue offering or selling the Services or Products in accordance with this Agreement; and if Franchisee fails to operate the Studio for a period of five or more consecutive days without Franchisor's prior written approval;
- (j) Franchisee sells or offers for sale any unauthorized merchandise, product or service, engages in any unauthorized business or practice, or sells any unauthorized product or service under the Marks or under a name or mark that is confusingly similar to the Marks;
- (k) Franchisee purchases or uses supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier;
- (l) Franchisee fails to comply with any notice relating to a violation of law within 10 days after being notified of non-compliance, except for violations that are subject to Section 16.1(f) above;
- (m) Franchisee contests in any court or proceeding the validity of, or Franchisor's ownership of, the Intellectual Property;
- (n) Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the insurance requirements set forth in this Agreement or the Manuals;
- (o) Franchisee or its principals have made any material misrepresentation or omission in the application to be a franchisee or in operating as a franchisee, or have committed fraud or misrepresentation in connection with the application for the Studio;
- (p) Franchisee fails to satisfy the Operations Deadline;

(q) Any misrepresentation under Section 21, or any violation of anti-terrorism laws or any other law by Franchisee, its owners, agents or employees; or,

(r) Franchisee during any consecutive 12-month period is in default three or more times of the same material provision of the franchise agreement (whether or not each default is timely cured by Franchisee).

16.2 Franchisor has the right, at its option, to (i) suspend performance of any of its services to Franchisee during the time period Franchisee is in default under this Section 16.2; (ii) permanently reduce the Authorized Territory; or (iii) terminate this Agreement, if any of the following events of default occur, effective upon 15 days' written notice to Franchisee and Franchisee's failure to cure the default within the 15 days:

(a) Franchisee fails or refuses to pay when due any amount payable to Franchisor or Franchisor's Affiliates;

(b) Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that are erroneously made to Franchisee;

(c) Franchisee fails to comply with the Premises Deadline, Financing Deadline or fails to complete build out of the Franchised Location as provided in Section 7.1(c);

(d) Franchisee conducts itself in a manner that in the exercise of Franchisor's reasonable business judgment impairs the goodwill or reputation associated with any aspect of the System or the Intellectual Property;

(e) Franchisee fails to comply with applicable laws, or fails to procure or maintain any licenses, certifications, or permits necessary for the operation of the Studio;

(f) Any government action is taken against Franchisee that results in an obligation upon Franchisor that in Franchisor's reasonable judgment is uneconomical or would result in Franchisor having an unintended obligation;

(g) Any guarantor fails to deliver to Franchisor within 10 days after Franchisor's written request: (i) evidence of execution of the personal guaranty attached hereto at **Attachment C**, or (ii) current financial statements of the guarantor;

(h) Franchisee or any legal entity that owns or has the right to use the real property from which the Studio is operated (i) fails to incorporate the terms required under Section 7.1(a)(ii) into the lease, or (ii) defaults under any term of the Acquisition Documents, or any other agreement material to the Studio, and such default is not cured within the time specified in such Acquisition Document or other material agreement; or,

(i) Franchisee fails to submit any report or record required in this Agreement more than five days late on three or more occasions during any 12-month period; or Franchisee submits on three or more occasions during the Term any report or record that understates its Gross Revenue by more than 3%, unless Franchisee demonstrates that such understatement resulted from an inadvertent error.

16.3 In addition to its rights under Sections 16.1 and 16.2 above, Franchisor has the right to terminate this Agreement on 30 days' written notice to Franchisee, if Franchisee breaches any provision of this Agreement not specifically enumerated in Sections 16.1 and 16.2 and fails to cure the default during

such 30-day period. In that event, this Agreement will terminate without further notice to Franchisee, effective upon expiration of the 30-day period. Defaults under this Section 16.3 may include the following:

- (a) Franchisee fails to maintain the then-current operating procedures, requirements or standards established by Franchisor, including scoring at minimum levels set in the Manuals relating to its operations and marketing activities;
- (b) Franchisee does not obtain Franchisor's prior written approval or consent as required by this Agreement;
- (c) Franchisee makes an unauthorized change to the Franchised Location or other equipment or materials used in the operation of the Studio;
- (d) Franchisee fails to maintain sufficient levels of Product inventory to adequately meet consumer demand;
- (e) Franchisee fails, as determined by Franchisor in its sole discretion, to personally supervise the day-to-day operation of the Studio;
- (f) Franchisee fails, as determined by Franchisor in its sole discretion, to employ an Instructor Mentor as well as a sufficient number of qualified, competent Instructors and other employees; and,
- (g) Franchisee fails to satisfy the Gross Revenue minimums set forth in Section 7.4(b) above.

16.4 In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any) Franchisor will have the following rights, but not the obligation:

- (a) to enter upon the Franchised Location and exercise complete authority with respect to the operation of the Studio and all Services provided through the Studio until such time as Franchisor determines, in Franchisor's sole discretion, that the default has been cured, and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all reasonable costs of doing business during Franchisor's period of operation including costs associated with payroll, insurance, utilities, advertising, marketing, rent, mortgage payments and supplies, the cost of Franchisor's personnel and their travel, food and lodging accommodations, as well as the daily management fee published in the Manuals. During any period of Franchisor management of the Studio, all of Franchisee's employees will remain under the employ of Franchisee and will not become the employees of Franchisor. If Franchisor undertakes to operate the Studio pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings that may arise out of Franchisor's operation of the Studio. Franchisor will also have the right to retain any profits during its period of operation of the Studio and charge Franchisee a reasonable management fee; and,
- (b) to limit Franchisee's access to or right to offer any Product or Service if Franchisee does not complete the training necessary to offer any such Product or Service to Franchisor's satisfaction; or if Franchisee is in default with respect to the provision of any Product or Service and has not cured such default within the applicable period.



16.5 No endorsement or statement on any check or payment of any sum less than the full sum due to Franchisor will be construed as an acknowledgment of payment in full or an accord and satisfaction, and Franchisor may accept and cash such check or payment without prejudice to its right to recover the balance due or pursue any other remedy provided herein or by law. Franchisor may apply any payments made by Franchisee against any past due indebtedness of Franchisee as Franchisor may see fit. Franchisor may set off against any payment due to Franchisee hereunder any outstanding debts of Franchisee to Franchisor, and may at Franchisor's option, pay Franchisee's trade creditors out of any sum otherwise due to Franchisee.

16.6 If Franchisee, or any legal entity in which Franchisee (or any of its shareholders, members, owners, managers or partners) has a controlling equity interest, is a party to another franchise agreement or any other agreement with Franchisor or any of Franchisor's Affiliates, a default under this Agreement shall constitute a default under such other agreement and vice versa, with like remedies available to Franchisor. If such other agreement ceases to be valid, binding or in full force and effect for any reason, then Franchisor may at its option immediately terminate this Agreement upon notice. If this Agreement ceases to be valid, binding or in full force and effect for any reason, Franchisor or Franchisor's Affiliate, as applicable, may at its option immediately terminate the other agreement upon notice. In the event that there is more than one Franchisee, or if Franchisee should consist of more than one legal entity, Franchisee's liability hereunder shall be both joint and several. A breach hereof by one such legal entity or Franchisee shall be deemed to be a breach by both or all.

16.7 Upon termination or expiration of this Agreement, Franchisee will take the following action:

(a) Pay within five days of the effective date of termination or expiration all amounts owed but unpaid to Franchisor, the landlord of the Franchised Location or other premises used in relation to the Studio (if applicable), and Franchisee's trade and other creditors.

(b) Immediately cease operating the Studio or otherwise offering the Services, or any other authorized Products or Services;

(c) Refrain from, directly or indirectly, at any time or in any manner, identifying itself or any business as a current franchisee or authorized licensee of Franchisor or its Affiliates, or as approved, endorsed, associated, or identified with Franchisor or the System; refrain from using the Marks, any confusingly similar trademark, or other indicia of the Studio in any manner or for any purpose, or utilizing for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor or its Affiliates; discontinue the use of all signs, structures, forms of advertising, Internet postings, telephone listings, facsimile numbers, e-mail addresses, the Manuals, and all materials, Products and Services of any kind which are identified or associated with the System;

(d) Immediately turn over to Franchisor all printed and electronic copies of all materials relating to the operation of the Studio, including the Manuals, Customer Data, records, files, instructions, brochures, advertising materials, agreements, Intellectual Property and any and all other materials provided by Franchisor to Franchisee or created by Franchisee or a third party for Franchisee for the operation of the Studio (all of which are acknowledged to be Franchisor's property and not subject to any purchase options under Section 15); and thereafter delete all electronic copies of these materials;

(e) Within five days cancel or assign to Franchisor or its designee, as determined by Franchisor, all of Franchisee's right, title and interest in and to Franchisee's telephone numbers, facsimile numbers, Internet addresses and listings including all Internet application and social

media accounts, and notify the telephone company, Internet application providers, social media account providers and all other listing agencies of the termination or expiration of Franchisee's right to use any telephone number, facsimile number, Internet application, listings, social media accounts, e-mail addresses, and any regular, classified or other directory listing associated with the Marks and to authorize the cancellation of or transfer of the same to or at the direction of Franchisor. Franchisee hereby acknowledges that: (i) all telephone numbers, facsimile numbers, Internet addresses and listings including all Internet application and social media accounts used in the operation of the Studio constitute assets of the Studio; and (ii) as between Franchisor and Franchisee, Franchisor has the sole rights to, and interest in, all such assets and channels used by Franchisee to promote the Studio and associated with the Marks and thus such assets and channels are not subject to any purchase option under Section 15. Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. **Attachment E** evidences such appointment;

(f) Immediately take all steps necessary to amend or terminate any registration or filing of any d/b/a or business name or fictitious name or any other registration or filing containing the Marks so as to delete the Marks and all references to anything associated with the System, and take any actions required by Franchisor to de-identify the Franchised Location with the Marks, Confidential Information and Trade Secrets including, changing the décor, signage, flooring, fixtures, furniture and equipment. If, within 30 days after termination or expiration of this Agreement Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any business name or d/b/a or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, and in Franchisee's name, place and stead and on Franchisee's behalf, to take action as may be necessary to amend or terminate all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System;

(g) Provide Franchisor the option to purchase as set forth in Section 15;

(h) Comply with the restrictive covenants contained in this Agreement and Manuals, including the provisions of Section 13 and all post-termination provisions;

(i) Comply with the indemnification covenants contained in this Agreement, including the provisions of Section 11;

(j) Cooperate and assist in the transition of the Studio to Franchisor or a successor franchisee; and,

(k) Refrain from making any disparaging remarks about Franchisor.

16.8 If, within 30 days after termination or expiration of this Agreement, Franchisee fails to remove all displays of the Marks from the Franchised Location, which are identified or associated with the System, Franchisor may enter the Franchised Location to effect such removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any such items of personal property.

16.9 If Franchisor gives notice that it will accept an assignment of the lease, Franchisee will promptly vacate the Franchised Location as required by Section 7.1(a), and leave the premises and all fixtures and equipment in good working order, condition, and repair. Franchisor's right to accept an assignment of the lease is independent of Franchisor's right to acquire the physical assets in the Franchised Location on the terms of this Agreement.

16.10 Termination or expiration of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies which Franchisor may have against Franchisee, whether such claims or rights arise before or after termination or expiration. In any proceeding in which the validity of the termination of this Agreement is at issue, Franchisor will not be limited to the reasons set forth in any notice of termination or default given to Franchisee. Franchisor's rights hereunder are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder will preclude the exercise or enforcement of any of its rights or remedies herein contained, or to which it is entitled by law.

16.11 All obligations of the parties under this Agreement which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect notwithstanding such expiration or termination. In particular, but without limiting the generality of the foregoing, the provisions of Sections 5, 9, 11, 13, 15, 19, 20, 21 and Section 16.7, hereof will survive termination or expiration of this Agreement.

16.12 If, upon termination or expiration of this Agreement, Franchisor is the lender under any loan agreement ("**Loan**") or the holder of any promissory note ("**Note**") or the holder of any personal property, security interest, chattel mortgage, debenture or mortgage of any nature whatsoever ("**Security Interest**") from Franchisee concerning assets used at any time by Franchisee in the Studio or which are situated at the Franchised Location, such Loan, Note or Security Interest will, upon the effective date of termination or expiration, immediately become fully due and payable as to all principal and interest so loaned and secured.

16.13 Nothing in this Agreement will prevent Franchisor from seeking injunctive relief to prevent irreparable harm, in addition to all other remedies; and Franchisor shall not be required to post a bond to seek preliminary or permanent injunctive relief.

16.14 THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE LAW, SUCH LAW WILL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT, TO THE EXTENT OF THE INCONSISTENCY.

## 17. CONDEMNATION AND CASUALTY

17.1 Franchisee will promptly advise Franchisor upon Franchisee's receipt of a notice of default or termination under Franchisee's Acquisition Documents, and will promptly provide Franchisor a copy of the notice. Franchisee will also give Franchisor notice of any proposed taking of the Franchised Location or any portion thereof through the exercise of the power of eminent domain at the earliest possible time. If the Studio or a substantial part thereof is to be taken, the Studio may be relocated within the Authorized Territory (but not any location within the protected territory of any other barre3® Studio), or elsewhere with Franchisor's written approval pursuant to Franchisor's relocation procedures. If Franchisee opens a new business as provided above at another location pursuant to Franchisor's standards and general specifications within one year of the closing of the old Franchised Location, the new Franchised Location will be deemed to be the Franchised Location licensed under this Agreement. If a condemnation, lease termination or mortgage default takes place and a new Studio does not, for any reason, become the Franchised Location as provided in this Section 17.1, then this Agreement will terminate upon notice by Franchisor.

17.2 If the Franchised Location from which the Studio is operated is damaged, Franchisee will expeditiously repair the damage. If the damage or repair requires closing the Studio, Franchisee will immediately notify Franchisor in writing, and will:

(a) Relocate the Franchised Location as provided in Section 17.1; or

(b) Repair or rebuild the Franchised Location pursuant to Franchisor's then existing standards and general specifications, and reopen the Studio for continuous business operations as soon as practicable (but in any event within 12 months after closing the Franchised Location), giving Franchisor 30 days' advance notice of the date of reopening.

If the Franchised Location is not (or, in the opinion of Franchisor cannot be) reopened pursuant to this Section 17.2, or relocated pursuant to Section 17.1, this Agreement will terminate upon notice to Franchisee.

17.3 The Term will not be extended by any interruption in the Studio's operations, except for an unforeseeable event not caused by Franchisee that results in the Franchised Location being closed not less than 60 days nor more than 180 days. Franchisee must apply for any extension within thirty 30 days following the reopening of the Franchised Location. No event during the Term will excuse Franchisee from paying Royalty Fees and if applicable Marketing Fund fees as provided in this Agreement.

## 18. NOTICES

18.1 Any notice under this Agreement shall be delivered in writing, by any means that provides confirmation of delivery, including personally, courier, certified mail service, or electronic means. Notices must be delivered to recipient's address listed below or to the last known address (physical or electronic):

### To Franchisor:

B3 Franchising LLC  
25 N Shaver Street  
Portland, Oregon 97227  
Attn: Operations Department  
Email: harper.kalin@barre3.com

### To Franchisee:

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

Any party may at any time give notice in writing to any other party of any change of address.

## 19. DISPUTE RESOLUTION

19.1 This dispute resolution clause applies to claims by and against all parties and their Affiliates, successors, owners, managers, officers, directors, employees, agents, and guarantors, or others claiming by or through them, and persons in privity with them, as to claims arising out of or relating to this Agreement, or of violation of any applicable law or regulation, except as stated below. This dispute resolution clause will survive the termination or expiration of this Agreement.

19.2 The parties will first attempt to resolve any dispute relating to or arising out this Agreement by negotiation at Franchisor's offices.

19.3 Except as otherwise provided in this Agreement, neither party shall bring litigation or arbitration against the other party, until the dispute has been submitted to mediation conducted in accordance with the procedures stated in this Agreement. The obligation to mediate will not apply to any disputes, controversies or claims for (i) misuse or infringement of any of the Intellectual Property or Confidential Information; or (ii) enforcement of any of the restrictive covenants contained in Section 13 of this Agreement, each of which issues may be submitted to a court within the State of Oregon. Additionally, notwithstanding a party's duty to mediate disputes under this Agreement, a party may file an application before any court of competent jurisdiction seeking expedited or provisional remedies whether or not the mediation has already commenced. An application for such remedies shall neither waive nor excuse a party's duty to mediate under this Agreement. However, once a party files an application for expedited or provisional remedies, the time period for mediation set forth in this Agreement shall be tolled pending the court's ruling on the application for such remedies.

(a) Mediation shall be conducted pursuant to the rules of the National Franchise Mediation Program, a dispute resolution program for franchising administered under the auspices of the CPR Institute for Dispute Resolution (the "**Mediation Service**"), or another mediation service agreed to by all parties. Either party may initiate the mediation (the "**Initiating Party**") by notifying the Mediation Service in writing, with a copy to the other party (the "**Responding Party**"). The notice shall describe with specificity the nature of the dispute and the Initiating Party's claim for relief. Thereupon, both parties will be obligated to engage in the mediation, which shall be conducted in accordance with the Mediation Service's then-current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement will control.

(b) The mediator must be either an attorney or judge, active or retired, with experience in franchising.

(c) Except as otherwise provided in this Agreement: (i) the fees and expenses of the Mediation Service, including the mediator's fee and expenses, shall be shared equally by the parties, and (ii) each party shall bear its own attorney's fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator's evaluation of each party's case.

(d) The mediation conference will begin as soon as possible with the goal of beginning the mediation within 30 days after commencement of the mediation. The mediation will be conducted at Franchisor's headquarters.

(e) The parties shall participate in good faith in the entire mediation, including the mediation conference, with the intention of resolving the dispute. The parties shall each send at least one representative to the mediation conference who has authority to enter into a binding contract on that party's behalf and on behalf of all principals of that party who are required by the terms of the parties' settlement to be personally bound by it. The mediator's recommendations and decision shall not be binding on the parties.

19.4 If the parties or their affiliates, officers, managers, employees, guarantors, agents, or others claiming by or through them, and persons in privity with them, are unable within 60 days of filing of a request to mediate by any party, to reach resolution of any dispute arising out of or relating to this Agreement, such dispute shall be submitted to final and binding arbitration. "**Persons in privity**" with or claiming through, on behalf of or in the right of Franchisee include, spouses, legal domestic partners, children, grandchildren and parents, heirs, executors, representatives, successors, and assigns. Arbitration will take place according to the Commercial Arbitration Rules of the American Arbitration Association in effect as of the date the demand for arbitration is filed. However, the parties may seek judicial or arbitration

remedies for injunctive or other interim or extraordinary relief pending arbitration. The parties expressly consent to personal jurisdiction and venue of arbitration or litigation in the State of Oregon.

19.5 The arbitration will be held in Portland, Oregon, USA, and be heard by one arbitrator who has experience in franchise law or franchise disputes and a minimum of 10 years of experience in complex commercial litigation or transactions. The upfront fees of the arbitrator shall be divided equally between the parties. The arbitrator will have no authority to amend or modify the terms of this Agreement. The award of the arbitrator will be final and binding on the parties and may be enforced by judgment or order of a court having jurisdiction.

19.6 To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration hereunder, except to the extent such issue may have been determined in another proceeding between Franchisor and Franchisee or any person in privity with or claiming through, in the right of or on behalf of Franchisee or Franchisor.

19.7 The parties agree that all proceedings, whether in mediation, arbitration, or litigation, shall be conducted on an individual, not a class-wide basis, and that any proceeding between Franchisee, its principals or guarantors, and Franchisor, its Affiliates or personnel may not be consolidated with any other proceeding between Franchisor and any other person or legal entity.

19.8 NEITHER FRANCHISOR NOR ITS AFFILIATES, SUPPLIERS, VENDORS, LICENSORS OR AGENTS WILL BE LIABLE TO FRANCHISEE OR ANY THIRD PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, PUNITIVE, OR SIMILAR DAMAGES ARISING OUT OF OR RELATED TO THIS AGREEMENT EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. BOTH PARTIES IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY.

19.9 In any arbitration or court proceeding between the parties, each party will have the right to engage in deposition and document discovery including, in the case of Franchisor, the right to conduct forensic examination of Franchisee's workstations and mobile computing devices if Franchisor reasonably believes the workstations or devices contain any Intellectual Property of Franchisor's. In connection with any application for provisional remedies, each party may conduct discovery on an expedited basis.

19.10 Franchisor's officers, directors, shareholders, agents and employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 19, each having authority to specifically enforce the right to mediate or arbitrate claims asserted against such person(s) by Franchisee.

19.11 If Franchisor makes a decision based upon its reasonable business judgment, neither a mediator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor. The fact that a mediator or judge might reach a different decision than the one made by Franchisor is not a basis for finding that Franchisor made its decision without the exercise of reasonable business judgment. Franchisor's duty to exercise reasonable business judgment in making certain decision does not restrict or limit Franchisor's right under this Agreement to make other decisions based entirely on Franchisor's sole discretion as permitted by this Agreement. Franchisor's sole discretion means that Franchisor may consider any set of facts or circumstances that it deems relevant in rendering a decision.

19.12 Notwithstanding Section 19.5, in any arbitration or legal proceeding between the parties, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, its reasonable attorneys' fees, court or arbitration costs and all of the prevailing party's expenses in connection with any action at law.

19.13 This Agreement and disputes under this Agreement will be governed by and construed under the laws of the State of Oregon. Except as may otherwise be provided in this Agreement, each party irrevocably submits to the jurisdiction of the state and federal courts of general jurisdiction in the County of Multnomah in the State of Oregon. Nevertheless, Franchisee agrees that Franchisor may enforce this Agreement and any arbitration orders and awards in the courts of the state or states in which you are domiciled or the Studio is located.

19.14 Except for claims arising from Franchisee's non-payment or underpayment of amounts owed to Franchisor, any and all claims arising out of or relating to this Agreement or the relationship between the parties will be barred unless a judicial, mediation or arbitration proceeding is commenced within two (2) years from the date on which the party asserting the claim knows or should have known of the facts giving rise to the claim.

## **20. MISCELLANEOUS**

20.1 Franchisor has the right to operate, administrate, develop and change the System in any manner that is not specifically and expressly precluded by the provisions of this Agreement.

20.2 All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein; all partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

20.3 No failure, forbearance, neglect or delay of any kind on the part of Franchisor in connection with the enforcement or exercise of any rights under this Agreement shall affect or diminish Franchisor's right to strictly enforce and take full benefit of each provision of this Agreement at any time, whether at law for damages, in equity for injunctive relief or specific performance, or otherwise. No custom, usage or practice with regard to this Agreement by Franchisee or Franchisor's other franchisees shall preclude the strict enforcement of this Agreement pursuant to its literal terms. No waiver by Franchisor of performance of any provision of this Agreement shall constitute or be implied as a waiver of Franchisor's right to enforce that provision at any future time. No interpretation, change, termination or waiver of any provision of this Agreement, and no consent or approval under this Agreement, shall be binding upon Franchisee or Franchisor or effective unless in writing signed by Franchisee and an executive of Franchisor's with authority to execute the same, except that a waiver need be signed only by the party waiving. Franchisor's acceptance of any payments made by Franchisee after a breach of this Agreement shall not be a waiver by Franchisor of any breach by Franchisee of any term, covenant or condition of this Agreement.

20.4 This Agreement, together with and all exhibits, attachments, addenda or ancillary documents executed herewith, constitutes the entire understanding and agreement between Franchisee and Franchisor and supersedes all prior understandings, whether oral or written, pertaining to this Agreement, System or Studio. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in Franchisor's Franchise Disclosure Document.

20.5 The headings of the sections hereof are for convenience only and do not define, limit or construe the contents of such Sections or other Sections. The term "**Franchisee**" as used herein is applicable to one or more persons or a legal entity, as the case may be, and the singular usage (where applicable) includes the plural, feminine, masculine and neuter usages. The term "lease" shall include a sublease and renewal or extension of a lease or sublease. Any use of the word "including" or synonymous terms, followed by one or more examples, does not limit in any way the antecedent word or phrase.

20.6 When calculating the date upon which or the time within which any act is to be done pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded;

if the last day of such period is a non-business day, the period in question shall end on the next business day. Time shall be of the essence of this Agreement and of every part thereof.

20.7 Neither party hereto shall be liable for any loss or damage due to any delay in the due performance of the terms hereof (except for the payment of money) by any unforeseeable and unavoidable reason beyond the party's control and which are due to occurrences of the nature of strikes, lockouts and other labor relations, fires, riots, wars, embargoes, and civil commotion, or acts of God ("**Force Majeure Event**"). Any such delay shall extend performance only so long as such event is in progress except such Force Majeure Event will not affect or change Franchisee's obligation to pay Royalty Fees and Marketing Fund fees when due. Notwithstanding the foregoing, if there is a Force Majeure Event, Franchisor may elect to waive the Royalty Fees and Marketing Fund fees during the period of delay caused by the Force Majeure Event or such shorter period.

20.8 Franchisee shall execute and deliver such further instruments, contracts, forms and other documents, and shall perform such further acts, as may be necessary or desirable, to carry out, complete and perform all terms, covenants and obligations herein contained. Franchisee hereby irrevocably appoints Franchisor as its attorney, and hereby empowers it to execute such instruments regarding the Marks for and in Franchisee's name in order to give full effect to Sections 9, 11, 14, and 16 of this Agreement. Franchisee hereby declares that the powers of attorney herein granted may be exercised during any Incapacity on its part.

20.9 The covenants, agreements, terms and conditions contained in this Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns, heirs and personal representatives of the parties hereto.

20.10 This Agreement may only be modified or amended by a written document executed by Franchisee and Franchisor. Franchisee acknowledges that Franchisor may modify the System and its standards and specifications and operating and marketing techniques set forth in the Manuals unilaterally under any conditions and to the extent which Franchisor deems necessary to protect, promote, or improve the Marks, and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination. Notwithstanding anything in this Agreement to the contrary, Franchisor will have the right unilaterally to reduce the scope of any covenants of Franchisee contained in this Agreement upon notice to Franchisee, whereupon Franchisee shall comply therewith as so modified.

20.11 From time to time, Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of Franchisor or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties hereunder. Franchisee also acknowledges that it is not a third party beneficiary of any agreement between Franchisor and any agent to whom it has delegated any of its obligations or duties hereunder.

20.12 Franchisee's spouse or legal domestic partner and all owners of Franchisee and their spouses or legal domestic partners hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Agreement and any other agreement between Franchisee and Franchisor or Franchisor's Affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon Transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors (which includes spouses and legal domestic partners) must execute a continuing personal guaranty in the form attached hereto as **Attachment C**.



20.13 Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee for any reason. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives will be binding unless it is written in this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

20.14 This Agreement shall not be construed more strictly against one party than the other, merely because one of the parties hereto drafted its terms. Both parties acknowledge and agree that they have had ample time to review this Agreement and the opportunity to consult with an attorney of their choosing with respect to its terms.

20.15 THE FRANCHISOR SYSTEM, PRODUCTS AND SERVICES, INTELLECTUAL PROPERTY, MANUALS, SUPPORT SERVICES, AND ANY RELATED SERVICES ARE PROVIDED "AS IS" AND "AS-AVAILABLE," WITH ALL FAULTS, AND WITHOUT WARRANTIES OF ANY KIND. FRANCHISOR DISCLAIMS ALL OTHER WARRANTIES, EXPRESS AND IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, QUIET ENJOYMENT, QUALITY OF INFORMATION, AND TITLE/NON-INFRINGEMENT. ALL PRODUCTS AND SERVICES OF THIRD PARTY PROVIDERS ARE PROVIDED AS-IS, WITHOUT WARRANTIES OF ANY KIND. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY FRANCHISOR OR ITS AUTHORIZED REPRESENTATIVES WILL CREATE ANY OTHER WARRANTIES OR IN ANY WAY INCREASE THE SCOPE OF FRANCHISOR'S OBLIGATIONS UNDER THIS AGREEMENT.

20.16 Franchisee agrees that it will not withhold payment of any amounts owned to Franchisor on the grounds of Franchisor's alleged non-performance of any of its obligations under this Agreement.

## **21. COVENANTS, REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS**

Franchisee covenants, represents and warrants as follows and acknowledges that Franchisor is relying upon such covenants, representations and warranties in making its decision to enter into this Agreement.

21.1 Franchisee acknowledges that it has received (i) the Franchise Disclosure Document not less than 14 calendar days, and (ii) a completed copy of this Agreement not less than 7 calendar days before signing this Franchise Agreement during which time Franchisee has had ample time to read, has read, and understands the Franchise Disclosure Document, this Agreement and all other related agreements with Franchisor, accepts their terms, conditions and covenants. Franchisee acknowledges that Franchisor has advised it to obtain independent legal and accounting advice with respect to this Agreement and the transactions arising out of this Agreement. Franchisee further acknowledges that it has had an adequate opportunity to be advised by legal, accounting and other professional advisors of its own choosing regarding all pertinent aspects of the Studio, Franchisor and this Agreement.

21.2 Franchisee is financially and otherwise able to accept the risks associated with developing and operating the Studio.

21.3 Franchisee acknowledges that the success of the venture depends primarily on Franchisee's individual and independent business ability and efforts.

21.4 Franchisee has not received or relied upon any promise, representation, guaranty or warranty, express or implied, about the potential volume, revenues, profits or success of the business

venture contemplated by this Agreement, or any other statement made in contradiction to the information provided in the Franchise Disclosure Document.

21.5 Franchisee agrees and acknowledges that it has not been induced to enter into this Agreement in reliance upon, nor as a result of, any statements, representations, warranties, conditions, covenants, promises or inducements, whatsoever, whether oral or written, and whether directly related to the contents hereof or collateral thereto, made by Franchisor, its officers, directors, agents, employees or contractors except as provided herein.

21.6 Franchisee has conducted an independent investigation of the business contemplated by this Agreement.

21.7 Franchisee acknowledges that the terms contained in this Agreement and the Manuals are reasonably necessary to maintain the System's uniformly high standard of quality and service of the goodwill of the Marks and the barre3® brand.

21.8 Franchisee acknowledges that the nature of the Studio may evolve and change over time and an investment in the Studio franchise involves risk. Franchisee acknowledges that this Agreement is being granted in reliance upon the information supplied to Franchisor in Franchisee's application.

21.9 Franchisor makes no guaranty or warranty that Franchisee will be able to secure the financing required and provided in Section 7.1(b) or a Franchised Location required and provided in Section 7.1(a) of this Agreement.

21.10 All statements made by Franchisee in writing in connection with its application for this franchise were, to the best of its knowledge, true when made and continue to be true as of the date of this Agreement and no material information or fact has been omitted which is necessary in order to make the information disclosed not misleading.

21.11 Franchisee acknowledges that other franchisees, whether current or future, may operate under different forms of the franchise agreements, and consequently, that Franchisor's obligations and rights with respect to other franchisees may differ materially.

21.12 This entire Agreement, including corrections, changes, attachments and addenda, will only be binding upon Franchisor when executed by Franchisor's authorized representative.

21.13 Each of the undersigned parties warrants that it has the full authority to sign and execute this Agreement and that the person executing this Agreement as, or on behalf of, Franchisee, and each person executing a personal guaranty of Franchisee's obligations, is a United States citizen or a lawful resident alien of the United States. If Franchisee is a legal entity the person executing this Agreement on behalf of such legal entity warrants to Franchisor, both individually and in its capacity as partner, officer, manager, member or shareholder, that all of the partners, officers, members, managers or shareholders, as applicable, have read and approved this Agreement including any restrictions which this Agreement places upon the rights to transfer their interest in the partnership or legal entity. If Franchisee is a legal entity, Franchisee understands that it is a material obligation of this Agreement that it remains duly organized and in good standing for as long as this Agreement is in effect.

21.14 Franchisee represents that none of the property or interests of Franchisee or its owners is subject to being blocked under, and Franchisee's and its owners are not otherwise in violation of any law including, anti-terrorism laws. Additionally, Franchisee agrees to comply with and assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with anti-terrorism laws. In connection with such compliance, Franchisee certifies, represents and warrants that no assets owned by Franchisee or any person

who is a guarantor of Franchisee's obligations to Franchisor are now, or are subject to being, "blocked" under any anti-terrorism laws and that Franchisee and each person who is a guarantor of Franchisee's obligations is not otherwise in violation of any anti-terrorism laws. Any violation of, or "blocking" of assets under, any anti-terrorism laws will constitute a material breach of this Agreement and grounds for immediate termination without an opportunity to cure.

***[Signatures on following page]***

**IN WITNESS WHEREOF**, the parties have executed this Agreement as of the date Franchisor signs below.

**FRANCHISEE:**

**B3 FRANCHISING LLC,**

[FILL IN NAME IN CAPS FOR INDIVIDUAL]

**an Oregon limited liability company**

\_\_\_\_\_  
[Print individual who is signing's name],  
individually

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

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

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

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

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

OR:

(if a business Entity)

[FILL IN COMPANY NAME IN CAPS]

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

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

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

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

[Signature page to Barre3 Franchise Agreement]

ATTACHMENT A  
TO BARRE3 FRANCHISE AGREEMENT

DESCRIPTION OF SEARCH AREA

B3 Franchising LLC, an Oregon limited liability company (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”), have this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, entered into that certain “Barre3 Franchise Agreement” (the “**Agreement**”) for the operation of a barre3® franchised business (a “**Studio**”) and desire to supplement its terms, as follows:

The Search Area is described as follows [OR ATTACH A MAP AND INITIAL THE MAP]:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

**B3 FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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

ATTACHMENT B  
TO BARRE3 FRANCHISE AGREEMENT

DESCRIPTION OF AUTHORIZED TERRITORY

B3 Franchising LLC, an Oregon limited liability company (“**Franchisor**”), and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”), have this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, entered into that certain “Barre3 Franchise Agreement” (the “**Agreement**”) for the operation of a barre3® franchised business (a “**Studio**”) and desire to supplement its terms, as follows:

1. **Authorized Territory.**

The Authorized Territory is described as follows [OR ATTACH A MAP AND INITIAL THE MAP]:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

2. **Franchised Location.**

If known at the time the Agreement is executed, the Franchised Location will be (or if not known, insert later): \_\_\_\_\_

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

The effective date of the lease or other Acquisition Documents for the Franchised Location is: \_\_\_\_\_; and the expiration date of the lease (if any) is \_\_\_\_\_.

The Franchised Location is that location specified by address and, if applicable, suite or space number, described in the final executed lease or other Acquisition Documents for the Studio to be located within the Authorized Territory.

**B3 FRANCHISING LLC**

**FRANCHISEE**

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

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

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

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

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

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

ATTACHMENT C  
TO BARRE3 FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of that certain "Barre3 Franchise Agreement" for the operation of a barre3® franchised business, executed between \_\_\_\_\_ ("Franchisee") and B3 Franchising LLC, an Oregon limited liability company ("Franchisor"), on \_\_\_\_\_, 20\_\_\_\_, each of the undersigned owners, partners, shareholders or members of Franchisee, and their respective spouses or legal/domestic partners, hereby personally and unconditionally, jointly and severally, enter into this guaranty (the "**Guaranty**"), and:

1. Guarantee to Franchisor and its successors and assigns, for the Term of the Agreement, including renewals thereof, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and,
2. Agree to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including the terms of Sections 4 (fees), 13 (restrictive covenants) and 19 (dispute resolution) of the Agreement.

**Each of the undersigned waives the following:**

3. Acceptance and notice of acceptance by Franchisor of the foregoing undertaking;
4. Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
5. Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
6. Any right he or she may have to require that any action be brought against Guarantor, Franchisee or any other person as a condition of liability; and,
7. Any and all other notices and legal or equitable defenses to which he or she may be entitled.

**Each of the undersigned consents and agrees that:**

8. His or her direct and immediate liability under this Guaranty will be joint and several;
9. He or she will render any payment or performance required under the Agreement upon demand if Guarantor or Franchisee fails or refuses punctually to do so;
10. Such liability will not be contingent or conditioned upon pursuit by Franchisor of any remedies against Guarantor, Franchisee or any other person;
11. Such liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other accommodation which Franchisor may from time to time grant to Guarantor, Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the Term, including renewals thereof;
12. He or she will be bound by the restrictive covenants, confidentiality provisions and indemnification provisions contained in the Agreement;

13. The restrictive covenant and dispute resolution provisions contained in Sections 13 and 19 of the Agreement, respectively, and the costs and attorneys' fees provision contained in Section 19.2 of the Agreement will govern this Guaranty and such provisions are incorporated into this Guaranty by this reference; and,

14. The failure or refusal of any guarantor to deliver to Franchisor, within 10 days after Franchisor's written request: (i) evidence of execution of this Guaranty, or (ii) current financial statements of the guarantor, will constitute a default under the Franchise Agreement.

**Each of the undersigned represents and warrants that:**

15. The Franchisee is a:  Individual  Partnership  Corporation  Limited Liability Company  
 Other

16. If Franchisee is a legal entity, it was formed under the laws of the State of \_\_\_\_\_ and is owned by the following individuals and their respective spouses or legal/domestic partners:

<u>Name</u>	<u>Address</u>	<u>Percentage Ownership</u>

17. Each of the undersigned has carefully read this Guaranty and all other related documents to be executed concurrently or in conjunction with the execution hereof, has obtained the advice of counsel in connection with entering into this Guaranty, understands the nature of this Guaranty, and intends to comply herewith and be bound hereby.

18. All capitalized terms not otherwise defined in this Guaranty, will have the same meaning provided to such terms in the Barre3 Franchise Agreement.

***[Signatures on following page]***



**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature effective on the same day and year as the Agreement was executed.

GUARANTOR:

WITNESS:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

This Statement of Franchisee is not applicable to and shall not be used as to any franchise offer and/or sale involving any California resident and/or franchisee as the Franchisee Acknowledgement violates of California Corporations Code sections 31512 and 31512.1.

Do not sign this Statement of Franchisee if you are a resident of Maryland or the business is to be operated in Maryland.

ATTACHMENT D  
TO BARRE3 FRANCHISE AGREEMENT

B3 FRANCHISING LLC  
STATEMENT OF FRANCHISEE

**[Note: Dates and Initials Must be Provided Below in the  
Prospective Franchisee's Own Handwriting]**

In order to make sure that no misunderstanding exists between you, the Franchisee, and us, B3 FRANCHISING LLC (also called “**B3 Franchising**,” “**Franchisor**” or “**we**”), and understanding that we are relying on the statements you make in this document, the franchise application, and the Franchise Agreement, you assure us as follows:

**A. The following dates are true and correct:**

Date	Initials	
1. _____, 20__	_____	the date on which I, the Franchisee, received a Franchise Disclosure Document regarding the Studio.
2. _____, 20__	_____	the date on which I, the Franchisee, signed the Barre3 Franchise Agreement.
3. _____, 20__	_____	the earliest date on which I, the Franchisee, made a payment to Franchisor or its Affiliates.

**B. Representations:**

1. No oral, written, visual or other promises, agreements, commitments, representations, understandings, “side agreements,” options, right-of-first-refusal or otherwise have been made to or with me with respect to any matter (including advertising, marketing, Franchised Location, operational, marketing or administrative assistance, exclusive rights or exclusive or protected franchise territory or otherwise), except as expressly set forth in the Barre3 Franchise Agreement, Franchisor’s Franchise Disclosure Document delivered to me, or an attached written Addendum signed by me and B3 Franchising, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

2. No oral, written, visual or other promises, agreements, commitments, representation, understandings, “side agreements” or otherwise which expanded upon or were inconsistent with the Franchise Disclosure Document or the Barre3 Franchise Agreement or any attached written addendum signed by me and an officer of B3 Franchising, were made to me by any person or entity, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

3. No oral, written, visual or other claim or representation (including 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 revenues, Gross Revenues, or otherwise) which stated or suggested a specific level or range of actual or potential sales, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) from Studios, was made to me by any person or entity related to Franchisor, B3 Franchising, except as follows:

---

(If none, you should write NONE in your own handwriting and initial.)

4. No contingency, prerequisite, reservation or otherwise exists with respect to any matter (including my obtaining financing, or my fully performing any of my obligations), except as expressly set forth in the Barre3 Franchise Agreement or any attached written Addendum signed by me and B3 Franchising:

---

(If none, you should write NONE in your own handwriting and initial.)

5. The individuals signing for Franchisee constitute all of the executive officers and all owners of Franchisee. Each such individual has reviewed the Franchise Disclosure Document and all exhibits and carefully read, discussed, understand and agree to the Barre3 Franchise Agreement, each attached written Addendum, Exhibit or Attachment and personal guaranties.

6. I have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, before signing any binding documents or paying any sums, and B3 Franchising has strongly recommended that I obtain such independent advice. I have also been strongly advised by B3 Franchising to discuss my proposed purchase of a Studio with any existing B3 Franchising franchisee before signing any binding documents or paying any sums and B3 Franchising has supplied me with a list of all existing franchisees.

7. I understand that a) entry into any business venture necessarily involves some unavoidable risk of loss or failure; b) the purchase of this Studio franchise or any other franchise is a speculative investment; c) investment beyond that outlined in the Franchise Disclosure Document may be required to succeed; d) there exists no guaranty against possible loss or failure in this or any other business; and e) the most important factors in the success of any Studio, including the one to be operated by me, are my personal business skills, which include marketing, sales and management, and require sound judgment and extremely hard work.

8. If there are any matters inconsistent with the statements in this document or if anyone has suggested that you sign this document without all of its statements being true, correct and complete, immediately inform B3 Franchising (email: [growwithus@barre3.com](mailto:growwithus@barre3.com)) and our President.

9. You understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete.

10. All capitalized terms not otherwise defined in this Statement of Franchisee, will have the same meaning provided to such terms in the Barre3 Franchise Agreement.

11. This Statement of Franchisee is not intended to limit any rights you may have under local law.

This Statement of Franchisee does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

**PROSPECTIVE FRANCHISEE:**

Signature: \_\_\_\_\_

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

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

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

**REVIEWED BY B3 FRANCHISING LLC:**

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

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

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

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

[Signature Page to Statement of Franchise]

ATTACHMENT E  
TO BARRE3 FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS,  
TELEPHONE LISTINGS, INTERNET ADDRESSES AND SOCIAL MEDIA PAGES

THIS COLLATERAL ASSIGNMENT OF TELEPHONE NUMBERS, TELEPHONE LISTINGS, INTERNET ADDRESSES AND SOCIAL MEDIA PAGES is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, pursuant to the requirements of the B3 Franchising LLC, Barre3 Franchise Agreement (“**Franchise Agreement**”) between \_\_\_\_\_ (“**Franchisee**”) and B3 Franchising LLC, an Oregon limited liability company (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a franchised barre3® business (the “**Studio**”), as follows:

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor (1) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”), (2) those certain Internet (as defined in the Franchise Agreement) website addresses (“**URLs**”) and (3) social media pages (including Facebook, Instagram, Snapchat, Tik Tok, Twitter, You Tube, image sharing sites, blogs and any other content sharing site or page communicated through the Internet (as defined in the Franchise Agreement)) using or incorporating Franchisor’s trade and service marks or other Confidential Information (as defined in the Franchise Agreement) (collectively, the “**Social Media Pages**”) wherever located, associated with Franchisor’s trade or service marks and used from time to time in connection with the operation of the Studio. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor notifies the telephone company, social media sites or the listing agencies with which Franchisee has placed telephone directory listings, or Franchisee’s Internet service provider and/or Social Media Page hosts to effectuate the assignment pursuant to the terms hereof (all such entities are collectively referred to herein as “**Media Outlet**”).

Upon termination or expiration of the Barre3 Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers, Listings, URLs, and Social Media Pages, and in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers, Listings, URLs, or Social Media Pages and shall remain liable to the Media Outlet for all past due fees owing to the Media Outlet on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Barre3 Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers, Listings, URLs and Social Media Pages, and Franchisee appoints Franchisor as Franchisee’s true and lawful attorney-in-fact to direct the Media Outlet to assign the same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Media Outlet to assign the Telephone Numbers, Listings, URLs and Social Media Pages to Franchisor. If Franchisee fails to promptly direct the Media Outlet to assign the Telephone Numbers, Listings, URLs and Social Media Pages to Franchisor, Franchisor shall direct the Media Outlet to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Media Outlet may accept Franchisor’s written direction, the Barre3 Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers, Listings, URLs and Social Media Pages upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Media Outlet’s receipt of such

notice from Franchisor or Franchisee. The parties further agree that if the Media Outlet requires that the parties execute the Media Outlets' assignment forms or other documentation at the time of termination or expiration of the Barre3 Franchise Agreement, Franchisor shall have the power of attorney to execute such forms or documentation on behalf of Franchisee which shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Barre3 Franchise Agreement.

**ASSIGNEE:**

**ASSIGNOR:**

**B3 FRANCHISING LLC**

**[INSERT FRANCHISEE'S NAME]**

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

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

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

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

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

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

**ACCEPTED AND AGREED TO BY:**

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

(Company Authorized Representative)

\_\_\_\_\_

(Name of Company)

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

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

[Signature Page of Collateral Assignment of  
Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages]

ATTACHMENT F  
TO BARRE3 FRANCHISE AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This NONDISCLOSURE AND NONCOMPETITION AGREEMENT (“**Agreement**”) is entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, between \_\_\_\_\_ (“**Associate**”) and B3 Franchising LLC, an Oregon, limited liability company (“**Company**”), pursuant to the requirements of the Franchise Agreement (defined below), under which the Company granted Associate or Associate’s affiliate the right to own and operate a barre3® franchised business (the “**Studio**”).

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of the franchise businesses which offer specialized exercise services and products under the brand name “barre3®.” The Studio is operated using the Company’s System (as defined in the Franchise Agreement) in association with the trademarks including “barre3®” and other service marks, trademarks, logo types, trade dress, designs and other commercial symbols (collectively, the “**Marks**”);

B. The Company has developed methods for establishing, operating and promoting Studios pursuant to the Company’s proprietary manuals, distinctive business formats, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, information, know-how, and such other Confidential Information (defined below) and Trade Secrets (defined below) and such Confidential Information and Trade Secrets as may be further developed from time to time by the Company;

C. The Company and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of the System, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate desires to become a Franchisee (defined below) of the Company or involved with the Company in the capacity of an officer, partner, director, or as a beneficial owner, or venturer, of the Franchisee or the Studio, or is an immediate family member of a principal owning an interest in the Franchisee or Studio, and will become privileged as to Confidential Information and Trade Secrets. Associate may or may not have signed the Barre3 Franchise Agreement or Guaranty and Assumption of Franchisee’s Obligations form; and,

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and Trade Secrets and with respect to noncompetition by Associate with the Company and other franchisees of the Company; and, Associate agrees to the terms of this Agreement as partial consideration for the Company’s willingness to allow Associate or Associate’s immediate family member to engage in a business relationship with the Company or as a franchisee of the Company using the Company’s Confidential Information and Trade Secrets.

**NOW THEREFORE**, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Definitions.

(a) “**Associate**” shall mean the individual or entity described on page 1 of this Agreement and the officers, beneficial owners, directors, partners, members, principals or immediate family members.

(b) “**Competitive Business**” means any business offering (i) specialized exercise services and products which may combine the techniques of Pilates, dance, yoga, functional training and other athletic disciplines, taught with equipment which may include a ballet barre, mini-balls, hand weights, elastic bands, yoga mats and/or other similar equipment, offered in person or online; or (ii) the retail sale of athletic apparel, exercise props, and other products used in connection with such exercise; or (iii) any other products or services competing with those offered by Studios; provided, however, that Associate will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934.

(c) “**Confidential Information**” means without limitation, Franchisor’s Trade Secrets, standards and specifications for offering, selling and providing the Services and Products, copyrighted materials, price marketing mixes related to Products and Services sold by Studios, the Manuals, Customer Data, all databases (whether in print, electronic, or other form), marketing techniques and Internet (defined below) advertising strategies, and other methods, techniques and know-how concerning the performance of Services or offering of the Products which may be communicated to Associate or of which Associate may be apprised by virtue of Franchisee’s operation of the Studio. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of the Franchise Agreement (defined below).

(d) “**Customer Data**” means all customer information that Franchisee or Franchisor collects, creates, or stores, including customer names and addresses, credits extended to customers, discounts given to customers, and customer purchasing histories. All Customer Data is owned exclusively by the Company. Copies of such data must be provided to the Company promptly as Franchisee creates, stores or amends such data, in the manner that the Company specifies.

(e) “**Franchise Agreement**” shall mean that certain “Barre3 Franchise Agreement” between the Company and \_\_\_\_\_ dated \_\_\_\_\_ as amended or renewed from time to time.

(f) “**Franchisee**” means the individuals or legal entity that purchases this franchise to operate a barre3® franchised business from Company and is a party to this Franchise Agreement.

(g) “**Internet**” means any present or future interactive system for electronic communications, using lines, cables, wireless, satellite, radio or any other technology; and which involves one or more of the following: the system of interconnected computer networks that use the internet protocol suite (TCP/IP) or its successor; websites or similar remotely-accessible electronic information sources (whether password protected or not); use of domain names, other locators, or emails that use the Marks; internet phone services; cellular or similar messaging; mobile applications; social networks or social media; or wikis, podcasts, online content sharing communities, or blogging.

(h) “**Authorized Territory**” shall have the meaning defined in the Franchise Agreement.

(i) “**Term**” shall have the meaning defined in the Franchise Agreement.

(j) “**Trade Secret(s)**” means all information, including all formulas, patterns, compilations, programs, devices, methods, techniques or processes related to the System (including Franchisor’s choreographed sequences and variations, music and play lists and safety procedures) that both derives



independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use and is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2. Confidential Information and Trade Secrets. Associate and the Company acknowledge that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Studio constitutes unique and exclusive property of the Company or its affiliates. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information and Trade Secrets would be wrongful and would cause irreparable injury and harm to the Company and its affiliates. Associate further acknowledges that the Company or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that the Company or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information and Trade Secrets.

3. Nondisclosure of Confidential Information and Trade Secrets. During the Term of the Franchise Agreement and for a period of two years after the expiration or termination of the Franchise Agreement (unless such information is a Trade Secret in which case the requirements in this Section 3 will remain in place for as long as such information constitutes a Trade Secret), Associate will not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Studio, any of the Confidential Information or Trade Secrets of the Company or its affiliates.

4. Exceptions to Disclosing Confidential Information. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was in the public domain before being communicated to the Associate through no fault of the Associate; (b) information that entered the public domain after it was communicated to the Associate through no fault of the Associate; (c) information that was in the Associate's possession free of any obligation of confidence at the time it was communicated to the Associate; or (d) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that the Franchisee is legally compelled to disclose the information, if the Associate has notified the Company before disclosure and used the Associate's best efforts, and afforded the Company the opportunity, to obtain an appropriate protective order or other assurance satisfactory to the Company of confidential treatment for the information required to be so disclosed. In addition, nothing in this Agreement prohibits Associate from reporting to any governmental authority information concerning possible violations of law or regulation and Associate may disclose trade secret information to a government official or to an attorney and use it in certain court proceedings without fear of prosecution or liability, provided Associate does so consistent with 18 U.S.C. 1833.

5. Noncompetition Covenant. Associate acknowledges that the Company must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with the Company. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been divulged to the Associate absent the Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than the Studio licensed under the Franchise Agreement, Associate, will not during the Term or any renewal Terms of the Franchise Agreement:

(a) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business;

(b) perform services as a manager, officer, beneficial owner, director, principal, employee, partner, member, consultant, representative, agent or otherwise for a Competitive Business; or,

(c) divert or attempt to divert any business related to, or any customer or account of the Studio, the Company's business, the business of any affiliate of the Company or any other franchisee's business, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of the Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

6. Post-Termination Covenant Not to Compete. Upon termination or expiration of the Franchise Agreement for any reason, Associate agrees that, for a period of two years commencing on the effective date of termination or expiration of the Franchise Agreement, Associate will not have any direct or indirect interest (through any immediate family member of Associate or its beneficial owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in any other capacity in any Competitive Business, located or operating: (a) in the Authorized Territory or any other franchisee's Authorized Territory; (b) within 25 miles of the Authorized Territory; (c) within 25 miles of any Company or Company's affiliate owned Studio or any other franchisee's Authorized Territory; or (d) online wherever the barre3.com website, sub-sites and social media sites are available, if the latter is enforceable in Associate's jurisdiction.

The restrictions of this Section 6 will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 5% or less of the number of shares of that class of securities issued and outstanding.

The parties have attempted in this Agreement to limit Associate's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of Sections 5 and 6 are disputed at any time by Franchisee or Associate, a court or arbitrator may modify Sections 5 and 6 to the extent that it deems necessary to make such provisions enforceable under applicable law. ASSOCIATE EXPRESSLY ACKNOWLEDGES THAT ASSOCIATE POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE ASSOCIATE OF THE ABILITY TO EARN A LIVING.

7. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled. Associate agrees that the Company may obtain such injunctive relief, without posting a bond or bonds. Associate's sole remedy, in the event of the entry of such injunctive relief, will be dissolution of such injunctive relief, if warranted, upon a hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by Associate. In any litigation, arbitration or other proceeding concerning the entry of any requested injunction against Associate, Associate, for value, voluntarily waives such defenses as Associate might otherwise have under the law of the jurisdiction in which the matter is being litigated, arbitrated or otherwise relating to any claimed "prior breach" on the part of the Company; it being specifically understood and agreed between the parties that no action or lack of action on the part of the Company will entitle or permit the Associate to disclose any such Confidential Information and Trade Secrets in any circumstances.

8. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach thereof.

9. Binding Effect. This Agreement will be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

10. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

11. Governing Law. This instrument will be governed by and construed under the laws of the State of Oregon, USA.

12. Jurisdiction and Venue. Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Oregon, and irrevocably agrees that personal jurisdiction and venue for any action or proceeding may be in the state and federal courts of Oregon. Both parties waive any objection to the jurisdiction of these courts or to personal jurisdiction and venue in the state and federal courts of Oregon. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

13. Severability. If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement will not affect adversely any other provisions of this Agreement which will otherwise remain in full force and effect.

14. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, will pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including such costs, expenses and fees on any appeals), and if such successful party will recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees will be included as part of such judgment.

15. Capitalized Terms. All capitalized terms not otherwise defined in this Agreement will have the same meaning provided in the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties have signed this Agreement on the date first above written.

**COMPANY:**

**ASSOCIATES:**

**B3 FRANCHISING LLC**

\_\_\_\_\_

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

Signature: \_\_\_\_\_

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

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

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

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

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

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

ATTACHMENT G

TO BARRE3 FRANCHISE AGREEMENT  
FRANCHISEE EMPLOYEE NONDISCLOSURE, NONCOMPETITION,  
AND  
NO JOINT EMPLOYER ACKNOWLEDGEMENT AGREEMENT

This FRANCHISEE EMPLOYEE NONDISCLOSURE, NONCOMPETITION, AND NO JOINT EMPLOYER ACKNOWLEDGEMENT AGREEMENT (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the “**Effective Date**”), between \_\_\_\_\_ (“**Associate**”) and B3 Franchising LLC, an Oregon, limited liability company (“**B3**”), pursuant to the requirements of B3 Franchising LLC, Barre3 Franchise Agreement (the “**Franchise Agreement**”), under which B3 granted Associate’s employer (“**Franchisee**”) the right to develop and operate a barre3® franchised business (a “**Studio**”).

B3 sells franchises for the operation of Studios that offer proprietary specialized exercise services and products developed by B3, combining the techniques of Pilates, dance, yoga, functional training and other athletic disciplines using equipment that may involve a ballet barre, mini-balls, hand weights, elastic bands, yoga mats and/or other similar equipment, in person at “barre3®” branded locations, or online.

B3 has developed methods for establishing, operating and promoting Studios pursuant to B3’s proprietary manuals, business formats, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, information, know-how, and such other Confidential Information (defined below), including Trade Secrets (defined below) (collectively, the “**System**”). In connection with the System, B3 has developed and continues to develop trademarks including “barre3®” and other service marks, trademarks, logo types, trade dress, designs and other commercial symbols (collectively, the “**Marks**”) licensed to Franchisee for the operation of the Studio. B3 and its affiliates have established substantial goodwill and an excellent reputation with respect to the quality of its System and Marks, which goodwill and reputation have been and will continue to be of major benefit to B3;

Associate desires to become an employee, independent contractor, agent, or service provider of Franchisee that will become privileged as to Confidential Information and Trade Secrets. As a condition of such engagement or continued engagement with Franchisee, Associate is obligated to enter into this Agreement.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and B3, intending legally to be bound, agree as follows:

Definitions.

(a) “**Competitive Business**” means any business offering (i) specialized exercise services and products which may combine the techniques of Pilates, dance, yoga, functional training and other athletic disciplines, taught with equipment which may include a ballet barre, mini-balls, hand weights, elastic bands, yoga mats and/or other similar equipment, offered in person or online; or (ii) the retail sale of athletic apparel, exercise props, and other products used in connection with such exercise; or (iii) any other products or services competing with those offered by Studios.

(b) **“Confidential Information”** means without limitation, B3’s Trade Secrets (defined below); standards and specifications for operating the System; copyrighted materials; price marketing mixes; business manuals including training, build-out, brand standards and operations manuals; all data on customers, prospective customers, vendors and suppliers (e.g. names and addresses, credit, discounts, and purchase histories); all databases and content included therein, such as the HUB (whether in print, electronic, or other form); marketing techniques and advertising strategies; other information, knowledge, methods, techniques, know-how and other data concerning the System, Marks or otherwise which B3 designates as confidential.

(c) **“Territory”** shall mean (i) online wherever the barre3.com website, sub-sites and social media sites are available; and (ii) the geographic area with a radius of twenty (20) miles around the perimeter boundary of the city, town or locale where any barre3® Studio or affiliated business is situated.

(d) **“Term”** the Term of this Agreement shall commence upon Associate’s commencement of engagement with Franchisee and shall terminate upon the later of eighteen (18) months after Associate’s employment or engagement termination, or the maximum legal limit in the jurisdiction where the Studio is located. However, some of Associate’s obligations under this Agreement will continue after the expiration of this period.

(e) **“Trade Secret(s)”** means all information, including all formulas, patterns, compilations, programs, devices, methods, techniques or processes related to the System (including B3’s choreographed sequences and variations, music play lists, and safety procedures) that both derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from their disclosure or use, and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy.

16. Associate’s Acknowledgements. Associate acknowledges that the Confidential Information and Trade Secrets which are developed and utilized in connection with the operation of the Studio constitute the unique and exclusive property of B3 or its affiliates and would not have been disclosed to Associate absent Associate’s agreement to strictly comply with the provisions of this Agreement. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information or Trade Secrets would be wrongful and would cause irreparable injury and harm to B3 and its affiliates. Associate further acknowledges that B3 or its affiliates have expended a great amount of effort and money in obtaining and developing the Confidential Information and Trade Secrets, that B3 or its affiliates have taken numerous precautions to guard the secrecy of the Confidential Information and Trade Secrets, and that it would be very costly for competitors to acquire or duplicate the Confidential Information or Trade Secrets.

17. Nondisclosure of Confidential Information or Trade Secrets. During the Term and at all times thereafter, Associate (i) will hold in confidence all Confidential Information and Trade Secrets; (ii) will adopt and implement procedures periodically required by B3 or Franchisee to prevent unauthorized use or disclosure of the Confidential Information and Trade Secrets; and, (iii) will not copy, reproduce, distribute, publish, disclose, or in any manner whatsoever communicate to any person or entity, or use (directly or indirectly), for her/his own benefit any of the Confidential Information or Trade Secrets of B3 or its affiliates, except in the performance of Associate’s duties for Franchisee. Notwithstanding the foregoing, the restrictions on the disclosure and use of the Confidential Information will not apply to the following: (a) information that was publically known before or after being communicated Associate through no fault of Associate; (b) information that was in Associate’s possession free of any obligation of confidence at the time it was communicated to Associate; or (c) the disclosure of the Confidential Information as required by a judicial or administrative proceedings, if Associate has notified B3 before disclosure and used her/his best efforts to give B3 the opportunity to obtain a protective order or other assurance satisfactory to B3 of confidential treatment for the information required to be disclosed.

18. Noncompetition and Non-solicitation Covenant. THIS SECTION MAY NOT BE LEGAL OR ENFORCEABLE IN ALL JURISDICTIONS, SUCH AS OREGON, AND THEREFORE MAY NOT APPLY TO ASSOCIATE. IN ANY JURISDICTION WHERE THIS SECTION IS PROHIBITED BY LAW AND UNENFORCEABLE, THIS SECTION SHALL BE CONSIDERED TO BE REMOVED AND WILL NOT APPLY TO ASSOCIATE, ALL OTHER PROVISIONS OF THIS AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT. Associate acknowledges that B3 must be protected against the potential for unfair competition by Associate's use of the Confidential Information and Trade Secrets in direct competition with B3. Associate further acknowledges that the Confidential Information and Trade Secrets would not have been disclosed to Associate absent Associate's agreement to strictly comply with the provisions of this Agreement. Associate therefore agrees that other than with respect to the Studio, Associate, will not during Associate's employment and for a period of two (2) years commencing on the effective date of termination of Associate's employment:

(a) have any direct or indirect interest or perform services as a manager, officer, owner, director, principal, employee, partner, member, consultant, representative, service provider, agent or otherwise for a Competitive Business within the Territory, provided, however, that Associate will not be prohibited from owning not more than a total of 5% of the stock of any company which is subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934 that may have a location or presence in the Territory; or,

(b) divert or attempt to divert any business or customer of the Studio, B3, B3's affiliates, or any other B3 franchised business to any Competitive Business by any direct inducement or otherwise within 25 miles of the Territory.

The parties have attempted in this Agreement to limit Associate's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope of enforceability of the provision of this Section 4 is disputed at any time by Franchisee or Associate, a court or arbitrator may modify this Section 4 to the extent that it deems necessary to make such provisions enforceable under applicable law.

ASSOCIATE EXPRESSLY ACKNOWLEDGES THAT HE/SHE POSSESSES SKILLS AND ABILITIES OF A GENERAL NATURE AND HAS OTHER OPPORTUNITIES TO EXPLOIT SUCH SKILLS. CONSEQUENTLY, ENFORCEMENT OF THE COVENANTS SET FORTH ABOVE WILL NOT DEPRIVE ASSOCIATE OF THE ABILITY TO EARN A LIVING.

19. No Joint Employer Relationship. Associate acknowledges and agrees that (i) B3 and Franchisee are separate legal entities; (ii) B3 does not make any employment decisions on behalf of Franchisee and does not have any control over Franchisee's hiring, supervisory, management, firing decisions, labor relations, or other employment practices; (iii) no joint employer relationship exists between B3 and Franchisee; (iv) B3 is not Associate's employer or joint employer; and (i) the purpose of this Agreement is to ensure the adequate protection of B3's Confidential Information and the competitiveness of barre3® Studios.

20. Miscellaneous.

(a) *Injunctive Relief.* The faithful observance of this Agreement is an essential condition of Associate's employment, engagement, or continued employment and promotion, with Franchisee. Associate acknowledges that breach of this Agreement would cause irreparable harm to B3 for which monetary damages alone would not provide adequate remedy. Therefore, B3 shall be entitled to seek injunctive relief and specific performance upon the occurrence of any breach. B3's rights to such remedies shall be cumulative and in addition to any other rights or remedies available to it at law or in equity.

(b) *Governing Law and Venue.* This Agreement will be governed by and enforced under the laws of the State of Oregon, without giving effect to any conflict of laws principals requiring the application of laws of another jurisdiction. Associate hereby expressly consents to the personal jurisdiction and venue in the state and federal courts in Multnomah County, Oregon. However, if the laws of the state where Associate resides prohibits this designation of jurisdiction and venue, then such other state's laws shall control.

(c) *Survival.* This Agreement shall survive the termination of Associate's employment.

(d) *Assignment.* This Agreement shall be binding on Associate and her/his, agents, representatives, heirs, successors and assigns. This Agreement shall inure to the benefit of B3 and its affiliates, successors and assigns. B3 may freely assign any or all of its rights under this Agreement, in whole or in part, to any successor entity at any time without Associate's consent.

(e) *Employment at Will.* Associate understands that she/he is employed solely by Franchisee under terms negotiated with Franchisee. Nothing in this Agreement constitutes an employment contract entitling Associate to employment or continued employment with Franchisee or B3.

(f) *Construction.* Associate acknowledges that she/he has had the opportunity to consult legal counsel concerning this Agreement; that she/he has read and understands the Agreement; and, that Associate is fully aware of its legal effect. Therefore, the fact that one party drafted this Agreement shall not be considered as material in its interpretation.

(g) *Severability.* If any Section, or portion of any Section, of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or unenforceable, including with respect to excessively broad duration, activity, or geographic scope (Territory), that Section, or portions of such Section, shall be modified so that the valid, legal and enforceable provisions, or portions of such provisions, of this Agreement are upheld to the maximum extent permitted by law.

(h) *Entire Agreement.* This Agreement is the final, complete and exclusive agreement between the parties with respect to the subject matter hereof and supersedes and replaces all prior communications with respect to such matters, whether oral or in writing, express or implied. This Agreement and Associate's obligations under Sections 2, 3, 4 and 5 shall apply to all periods that Associate was previously employed by Franchisee or any other B3 franchisee, including all periods Associate was engaged as an independent contractor.

(i) *Modification.* No modification of this Agreement, or waiver of any rights hereunder, will be effective unless in writing signed by Associate and B3's President or CEO.

(j) *Notice.* Any notice required to be given under this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, if delivered personally or by electronic mail; or (ii) one (1) day after deposit with a nationally recognized overnight delivery service, if to B3 when addressed to its headquarters office attention of the President or CEO, and if to Associate at the address set forth below.

(k) *Future Employer Notification.* During the eighteen (18) months following the termination of Associate's employment, Associate consents to the notification of her/his future employer of Associate's obligations under this Agreement by B3, including providing Associate's future employer with a copy of this Agreement.

**IN WITNESS WHEREOF**, the parties have signed this Agreement on the date first above written.

**COMPANY:**

**ASSOCIATE:**

**B3 FRANCHISING LLC**

\_\_\_\_\_

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

Signature: \_\_\_\_\_

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

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

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

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

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

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

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

\_\_\_\_\_



ATTACHMENT H  
TO BARRE3 FRANCHISE AGREEMENT

ADDENDUM TO  
FRANCHISE AGREEMENT ONLY FOR  
FRANCHISEES WHO OBTAIN SBA FINANCING

THIS ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between B3 Franchising, LLC, an Oregon limited liability company (“Franchisor”), located at 25 N. Shaver Street, Portland, Oregon 97227, and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

**CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

**FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

**COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

B-H-1

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729-3733.

Authorized Representative of FRANCHISOR:

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

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

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

Authorized Representative of FRANCHISEE:

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

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

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

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

ATTACHMENT I  
TO BARRE3 FRANCHISE AGREEMENT

ADDENDA TO FRANCHISE AGREEMENT FOR  
TRANSFERS (RESALES) AND RENEWALS

**TRANSFERS (RESALES):**

Check here if Franchisee is purchasing an existing franchise from a third-party franchisee:  Franchisee will simultaneously with this signing this Transfer Addendum, sign the new Franchise Agreement, which will be in full force and effect except as amended below.

A. The original franchise agreement signed by the franchisee that is selling the Studio to Franchisee was dated: \_\_\_\_\_. The initial franchise fee is waived, and instead Franchisee (or the selling franchisee) will pay Franchisor a Transfer fee of \$\_\_\_\_\_, as specified in the original franchise agreement. Franchisee will not receive certain other pre-opening services.

B. Franchisee acknowledges that it negotiated the purchase directly from the selling franchisee, has had time to review the financial records and operations of the Studio, and is not relying on Franchisor to assist in that review. Franchisee, Franchisor, and the selling franchisee will also sign a separate mutual release and consent to assignment.

C. The original term expires on \_\_\_\_\_, and Franchisee's remaining renewal terms are limited, as specified in the original franchise agreement, as follows:\_\_\_\_\_

D. Check here if Franchisee is purchasing an operating company unit.  If so, all terms of the agreement will remain in effect, except the procedures for site selection and site approval need not be followed. The terms of purchase of the Studio are set forth in a separate purchase and sales agreement.

Initials:

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

Franchisor: \_\_\_\_\_

**RENEWALS:**

Check here if Franchisee is renewing its franchise.  The original franchise agreement signed by Franchisee was dated: \_\_\_\_\_. Franchisee will simultaneously sign this Renewal Addendum and sign the new Franchise Agreement, which will be in full force and effect except as amended below.

Franchisee, its principals, owners, managers, directors, officers, employees, agents, insurers, successors, and assigns, release all claims against Franchisor, and Franchisor's principals, owners, managers, directors, officers, employees, agents, insurers, successors, and assigns, arising out of or related to Franchisor's original franchise agreement.

Because this will be a renewal franchise agreement there is no initial franchise fee, but instead Franchisee will pay Franchisor a renewal fee of \$\_\_\_\_\_, as specified in the original franchise agreement. Franchisee will not receive operator training or other pre-opening services.

Franchisee's remaining renewal term is limited, as specified in the original franchise agreement, and will end on the following date: \_\_\_\_\_.

Initials:

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

Franchisor: \_\_\_\_\_

ATTACHMENT J  
TO BARRE3 FRANCHISE AGREEMENT

BARRE3 LEASE RIDER

This RIDER TO LEASE, dated \_\_\_\_\_, 20\_\_ (the “**Rider**”) is entered into by and among \_\_\_\_\_, a \_\_\_\_\_ (“**Landlord**”), \_\_\_\_\_, a \_\_\_\_\_ (“**Tenant**”), and B3 Franchising, LLC, an Oregon limited liability company (“**Franchisor**”), pursuant to the requirements of the B3 Franchising, LLC, barre3® Franchise Agreement (“**Franchise Agreement**”) between Tenant and Franchisor:

**RECITALS**

Landlord and Tenant have entered or are about to entered into a lease, dated \_\_\_\_\_, 20\_\_ (the “**Lease**”), for premises located at \_\_\_\_\_ (the “**Premises**”) where Tenant intends to operate a “barre3®” franchised business (the “**Studio**”) pursuant to a Franchise Agreement (the “**Franchise Agreement**”) with Franchisor. The intent of this Rider is to preserve the Premises as a barre3® branded franchise location and to provide certain rights to Franchisor. This Rider is required by Tenant’s Franchise Agreement and incorporated into the body of the Lease. To the extent the terms of this Rider conflict with the Lease, the terms of this Rider shall control.

**AGREEMENT**

**NOW, THEREFORE**, it is hereby mutually covenanted and agreed between Landlord, Tenant and Franchisor as follows:

1. Independent Operations. Tenant’s operations at the Premises are independently owned and operated and Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or a substitute franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises pursuant to Section 3 below.

2. Modification to Lease or Rider. Landlord and Tenant shall not amend, assign, sublease, terminate or otherwise modify the Lease (each a “**Modification**”) to the extent such Modification would affect Franchisor’s rights set forth in the Lease, if any, as of the date the Lease is first executed or this Rider, without Franchisor’s prior written consent. Any Modification of the Lease or this Rider in violation of this Section 2 shall be null and void and of no force or effect.

3. Franchisor Intellectual Property.

(a) Pursuant to the terms of the Franchise Agreement, Tenant has agreed to grant Franchisor a security interest in the Lease and in all of the furniture, fixtures, inventory, equipment and supplies located in the Premises as collateral for the payment of any obligation, liability or other amount owed by Tenant under the Franchise Agreement. Any security interest or Landlord’s lien in Tenant’s furniture, fixtures, inventory, equipment and supplies in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. Notwithstanding any provisions of the Lease to the contrary, Landlord hereby consents to the collateral assignment of Tenant’s interest in this Lease to Franchisor to secure

Tenant's obligations under the Franchise Agreement. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

(b) In accordance with the above, upon the expiration and non-renewal, cancellation or termination of the Lease or Franchise Agreement, neither Tenant or Landlord shall retain any right, title or interest in the furniture, fixtures, inventory, equipment, copyrighted materials (such as Franchisor's confidential operations manual), or supplies located in the Premises, or any property bearing Franchisor's intellectual property, trademarks, trade-dress or patents (collectively, the "**Intellectual Property**"). In the event the Franchise Agreement expires or is terminated, Tenant is obligated under the terms of the Franchise Agreement to take certain steps to de-identify the Premises as a barre3® Studio. If Tenant fails to satisfy its obligation to so de-identify, Franchisor shall have the right to enter the Premises to remove its Intellectual Property and otherwise de-identify the Premises. In such an event, Landlord agrees to assist and permit Franchisor, its personnel or agents, to enter the Premises and remove furniture, fixtures, equipment, inventory, and supplies, including signs, decor and materials displaying any Intellectual Property owned by Franchisor. Franchisor shall repair any damage to the Premises caused by Franchisor in removing the above items within thirty (30) days of Landlord's written notification of such damage. In the event Franchisor fails to remove its Intellectual Property, or any material bearing the Intellectual Property, within fourteen (14) days of the expiration or termination of the Lease or Franchise Agreement, Landlord may destroy all Intellectual Property and dispose of any additional equipment without liability to Franchisor.

4. Limitation on Use. Landlord shall not during the term of the Lease, any options periods, lease any other space in the building or complex in which the Premises are located to a business that offers exercise classes related to yoga, Pilates, ballet barre or any combination of the same, and/or the retail sale of related exercise products or apparel.

5. Notice. Copies of any and all notices required or permitted hereby or related to default or termination of the Lease shall also be sent to Franchisor (concurrently with the giving of such notice to the Tenant) including notice of any default by Tenant under the Lease by e-mail to [harper.kalin@barre3.com](mailto:harper.kalin@barre3.com) and [accounting@barre3.com](mailto:accounting@barre3.com) and by certified mail, return receipt requested, or by nationally recognized overnight courier service, at the following address or to such other address as the Franchisor may provide to Landlord from time to time:

B3 Franchising LLC  
25 N Shaver Street  
Portland, OR 97227  
Attention: Harper Kalin

6. Consideration; No Liability.

(a) Landlord hereby acknowledges that the provisions of this Rider are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and that Tenant would not lease the Premises without Landlord agreeing to be bound by the terms of this Rider.

(b) Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Rider with full

understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor. For purposes of this Rider, an “affiliate” refers to any person, corporation, firm, partnership, limited liability company, association or other entity controlling, controlled by or under common control with the person or entity in question or any individual or entity that controls such person or entity.

7. Reaffirmation of Lease. Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect. In the event of any conflict between the terms of this Rider and the Lease, the terms of this Rider shall control.

8. Attorneys’ Fees. In the event it becomes necessary for either party to file a suit to enforce this Rider or any provisions contained herein, the prevailing party in such suit will be entitled to recover, in addition to all other remedies or damages, reasonable attorneys’ fees and court costs incurred.

9. Counterparts; Transmission. A separate copy of this Rider may be signed by each party, separately, and when each party has executed at least one copy hereof, such copies taken together shall be deemed to be a full and complete agreement between the parties and a single document. Any signature hereon may be electronically performed and transmitted and such signature shall be valid and accepted for all purposes hereof.

10. Governing Law. This Rider shall be governed by, and construed and enforced pursuant to the laws governing the Lease.

11. Severability. If any term, section or other provision of this Rider shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such term, section or other provision shall not affect any of the remaining provisions of this Rider.

12. Successors and Assigns. This Rider shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

13. Further Cooperation. Tenant and Landlord each further agree to execute upon request of Franchisor any and all instruments requested by Franchisor to carry out the terms and conditions of this Rider or the assignment and assumption intended hereby.

14. Authority. The execution of this Rider by the signatories below has been duly authorized by each party and is binding and enforceable against each party pursuant to its terms.

**IN TESTIMONY WHEREOF**, witness the signatures of the parties hereto as of the day, month and year first written above.

LANDLORD:

\_\_\_\_\_

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

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

B-J-3

TENANT:

\_\_\_\_\_,  
\_\_\_\_\_

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

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

FRANCHISOR:

B3 Franchising LLC,  
an Oregon limited liability company

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

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



ATTACHMENT K  
TO BARRE3 FRANCHISE AGREEMENT

ADDENDUM TO FRANCHISE AGREEMENT FOR CONVERSION AND RE-BRANDING

This ADDENDUM (“Addendum”) is made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between B3 FRANCHISING LLC, an Oregon limited liability company, whose principal business address is 25 N. Shaver Street, Portland, OR 97227, (the “Franchisor”) and \_\_\_\_\_, a [limited liability company/company/individual] (the “Franchisee”), with a business address at \_\_\_\_\_ (the “Premises”).

**WITNESSETH:**

**WHEREAS**, the parties are parties to a certain Franchise Agreement dated contemporaneously herewith (the “Agreement”);

**WHEREAS**, prior to entering into the Agreement, Franchisee operated as [a franchisee of The Barre Code® pursuant to that certain Franchise Agreement (“Barre Code FA”)] [an independent fitness studio], and shall re-brand the Premises in accordance with the Agreement and this Addendum.

**WHEREAS**, Franchisor and Franchisee desire to amend the Agreement as provided herein;

**NOW, THEREFORE**, the parties, in consideration of the mutual undertakings and commitments of each party set forth herein, agree as follows:

1. Rebranding Obligation. Franchisor shall provide Franchisee seven to nine months to remodel the Premises in a manner substantially similar Franchisor’s current System Standards with respect to image and trade dress for a conversion Studio (the “Rebranding”).

2. Franchise Fee. Section 4.1 of the Agreement is amended to provide that Franchise shall pay an Initial Franchise Fee of \$\_\_\_\_\_.

3. Grand Opening Fee. Section 4.7 of the Agreement is amended to provide that Franchise shall not be required to pay any amounts to Franchisor for a grand-opening digital marketing campaign or otherwise spend a minimum amount on a grand opening event.

4. [One-Time Payment. Franchisor agrees to make a one-time payment to Franchisee in the amount of \$10,000.00 to assist in Franchisee’s Rebranding efforts.]<sup>1</sup>

5. [Marketing Fund. Franchisor agrees to reduce the Marketing Fund fee from 2% to 1% for all Gross Revenue earned for a period of 12 months beginning upon the execution of this Addendum (the “Incentive Period”). Upon the expiration of the Incentive Period, the regular Marketing Fund fee contained

---

<sup>1</sup> Applicable if Franchisee is a former The Barre Code® franchisee.

in Section 10.5 of the Franchise Agreement shall apply and Franchisee agrees to pay said Marketing Fund in accordance with the provisions of the Franchise Agreement.]<sup>2</sup>

6. [Term of the Agreement]. Franchisor hereby agrees that notwithstanding anything in the Agreement to the contrary, the term of the Agreement shall be reduced to five years.]<sup>3</sup>

7. [Termination of Agreement]. Subject to the terms and conditions of this Addendum, the Barre Code FA is hereby terminated as of the Effective Date. Franchisee and all of its guarantors shall abide by the covenants contained in the Barre Code FA and any associated guaranty that expressly or by reasonable implication are intended to apply to Franchisee and guarantor after expiration, transfer, or termination, including all indemnity, nondisclosure, and record-keeping covenants.]<sup>4</sup>

8. [Release of Claims]. In consideration of the covenants, agreements, and undertakings of the parties under this Addendum, each party, on behalf of itself and its respective present and former parents, subsidiaries, affiliates, officers, directors, shareholders, members, successors, and assigns (collectively, "Releasors") hereby releases, waives, and forever discharges the other party and its respective present and former, direct and indirect, parents, subsidiaries, affiliates, employees, officers, directors, shareholders, members, agents, representatives, permitted successors, and permitted assigns (collectively, "Releasees") of and from any and all actions, causes of action, liabilities, and claims of every kind and nature whatsoever, whether now known or unknown (collectively, "Claims"), which any of such Releasors have or hereafter may have against any of such Releasees for any matter, cause, or thing whatsoever from the beginning of the world through the date of this Addendum arising out of or relating to the Barre Code FA, except for any Claims relating to rights and obligations preserved by or otherwise arising out of this Addendum.]<sup>5</sup>

9. Miscellaneous. All provisions of the Agreement not specifically amended by this Addendum remain in full force and effect. This Addendum shall be executed in multiple copies, each of which shall be deemed an original. To the extent a conflict exists between this Addendum and the Agreement, the terms of this Addendum shall control.

***[Signatures on following page]***

---

<sup>2</sup> Applicable if Franchisee is a former The Barre Code® franchisee.

<sup>3</sup> Applicable if Franchisee is a former The Barre Code® franchisee. Franchisor will work in good faith with Franchisee to determine any alternative term as may reasonable under the circumstances.

<sup>4</sup> To be included if Franchisor has assumed the Barre Code FA.

<sup>5</sup> Applicable if Franchisee is a former The Barre Code® franchisee.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by the duly authorized representative to be effective on the Effective Date indicated herein.

<p><b>FRANCHISOR:</b></p> <p><b>B3 FRANCHISING LLC</b></p> <p>By: _____</p> <p>Printed Name: _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p><b>FRANCHISEE:</b></p> <p><b>[FRANCHISEE NAME]</b></p> <p>By: _____</p> <p>Printed Name: _____</p> <p>Title: _____</p> <p>Date: _____</p>
	<p>By: _____</p> <p>Printed Name: _____</p> <p>Title: _____</p> <p>Date: _____</p>
	<p>By: _____</p> <p>Printed Name: _____</p> <p>Title: _____</p> <p>Date: _____</p>
	<p><b>GUARANTOR(S):</b></p> <p>By: _____</p> <p>Printed Name: _____</p> <p>Date: _____</p>
	<p>By: _____</p> <p>Printed Name: _____</p> <p>Date: _____</p>



**B3 FRANCHISING LLC**  
**EXHIBIT C**  
**FINANCIAL STATEMENTS**

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

## barre3 Balance Sheet

As of Date: 06/30/2023  
Location: Franchising

Month Ending  
06/30/2023

### Assets

#### Current Assets

Cash and Cash Equivalents	981,305.25
Accounts Receivable, Net	333,089.49
Prepaid Expenses	71,250.35
Intercompany Receivable	<u>17,644,149.47</u>
Total Current Assets	<u>19,029,794.56</u>

**Total Assets** **\$ 19,029,794.56**

### Liabilities and Equity

#### Current Liabilities

Accounts Payable	62,292.00
Deferred Revenue	276,998.00
Intercompany Payable	<u>12,058,303.88</u>
Total Current Liabilities	<u>12,397,593.88</u>

#### Other Liabilities

Other Liabilities	<u>42,275.80</u>
Total Other Liabilities	<u>42,275.80</u>

#### Stockholders Equity

Partners Equity	4,597,651.06
Retained Earnings	1,906,637.48
Net Income (Loss)	<u>85,636.34</u>
Total Stockholders Equity	<u>6,589,924.88</u>

**Total Liabilities and Equity** **\$ 19,029,794.56**

## barre3 Profit and Loss

As of Date: 6/30/23  
Location: Franchising

Year To Date  
06/30/2023  
Total YTD

### Revenue

Revenue - Licenses	
4100 - Franchise Fee	173,150.00
4105 - Royalty Fee	1,352,126.62
4250 - National Marketing	473,256.96
Total Revenue - Licenses	1,998,533.58
Revenue - Services	
4500 - Teacher Training	68,425.00
Total Revenue - Services	68,425.00
Revenue - Other	
4800 - Other Income	42,398.00
4905 - Convention Revenue	0.00
Total Revenue - Other	<u>42,398.00</u>
Total Revenue	<u>2,109,356.58</u>

### Cost of Revenue

Cost of Licenses Revenue	
5300 - Franchisee Reimbursed Travel	0.00
5301 - Franchise Reimbursed Non-Travel	29,159.94
Total Cost of Licenses Revenue	<u>29,159.94</u>
Total Cost of Revenue	<u>29,159.94</u>

Gross Profit 2,080,196.64

### Operating Expenses

General and Administrative Expenses	
Due and Subscriptions	
6070 - Dues and Subscriptions	420.15
Total Due and Subscriptions	420.15
Education	
6430 - Training and Education	642.09
Total Education	642.09
Travel, Meals and Entertainment	
Travel Expenses	
6410 - Travel Expense	29,342.79
Total Travel Expenses	29,342.79
Meals and Entertainment	
6130 - Meals and Entertainment	5,339.94
6131 - Event Meals	2,886.51
Total Meals and Entertainment	8,226.45
Total Travel, Meals and Entertainment	37,569.24
Office Supplies	

6160 - Office Supplies	50.12
Total Office Supplies	50.12
Postage and Delivery	
6440 - Shipping (Non Merch)	0.00
Total Postage and Delivery	0.00
Total General and Administrative Expenses	38,681.60
Marketing and Advertising Expenses	
Advertising and Promotion	
6000 - Advertising and Promotion	207,881.75
6014 - A&P - Commission and Fees - National Marketing	85,174.51
Total Advertising and Promotion	293,056.26
Total Marketing and Advertising Expenses	293,056.26
Payroll and Related Expenses	
Payroll Expenses	
6210 - Bonus	4,500.02
6220 - Salaries	407,782.21
6225 - Allocation of Salaries-Nat Mktg	136,866.64
6260 - Wages	49,963.38
6270 - Taxes	45,408.41
6280 - Benefits	25,755.99
6285 - Profit Sharing Expense	18,039.74
6290 - Worker's Comp Insurance	1,682.36
6291 - Sick Pay	883.60
Total Payroll Expenses	690,882.35
Total Payroll and Related Expense	690,882.35
Utilities and Facilities	
Utilities	
6400 - Telephone Expense	7,632.26
6420 - Utilities	269.67
Total Utilities	7,901.93
Total Utilities and Facilities	7,901.93
Operating and Maintenance Expenses	
Professional Services	
6190 - Legal Expense	27,275.87
6310 - Professional Fees	34,926.31
6313 - Video and Photo Support	22,859.94
6318 - Accounting & Payroll	16,451.14
Total Professional Services	101,513.26
Software and Maintenance	
6050 - Computer and Internet Expenses	103.20
6360 - Software/IT	59,563.43
Total Software and Maintenance	59,666.63
Other Operating Expense	
6020 - Bank Service Charges	177.00
6072 - Furniture, Fixtures, Equip<2500	276.10
6073 - FFE - PPT	2,035.97
6080 - National Mktg Fund Expenses	4,382.20
6090 - Gift	1,787.95
6170 - Parking	303.96
6199 - Employee Appreciation	296.50
6321 - Events	3,712.12



6350 - Research and Development	149.99
6380 - Store Supplies	59.94
6390 - Printing	2,040.00
Total Other Operating Expense	15,221.73
Total Operating and Maintenance Expenses	176,401.62
Taxes and Insurance	
Insurance	
6100 - Insurance Expense	9,109.68
Total Insurance	9,109.68
Taxes	
6120 - License & Tax	100.00
Total Taxes	100.00
Total Taxes and Insurance	<u>9,209.68</u>
Total Operating Expenses	<u>1,216,133.44</u>
<b>Other Income (Expense)</b>	
Interest Income	
4900 - Interest Income	0.18
Total Interest Income	0.18
Other Expenses	
8050 - Management Fee	(135,814.00)
Total Other Expenses	<u>(135,814.00)</u>
Total Other Income (Expense)	<u>(135,813.82)</u>
<b>Net Income (Loss)</b>	<b><u><u>\$ 728,249.38</u></u></b>

Created on : 08/22/2023 10:31 AM PST

**B3 FRANCHISING LLC**

FINANCIAL REPORT

AS OF DECEMBER 31, 2022 and 2021



## **B3 FRANCHISING LLC**

### **TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	3
Balance Sheets	5
Statements of Operations	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9



## **Independent Auditor's Report**

To the Members  
B3 Franchising LLC  
Portland, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying balance sheets of B3 Franchising LLC as of December 31, 2022, and 2021 and the related statements of operations, members' equity and cash flows for the years ended December 31, 2022, 2021 and 2020 and the related notes to financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of B3 Franchising LLC as of December 31, 2022, and 2021 and the results of their operations and their cash flows for the years ended December 31, 2022, 2021 and 2020 in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of B3 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 B3 Franchising LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of B3 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 B3 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.

*Reese CPA LLC*

Ft. Collins, Colorado  
March 29, 2023

**B3 FRANCHISING LLC  
BALANCE SHEETS**

	<b>AS OF DECEMBER 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS:</b>		
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 1,451,903	\$ 714,693
Accounts receivable	280,528	230,780
Due from related party	4,468,455	4,462,473
Prepaid expenses	38,241	10,681
<b>TOTAL CURRENT ASSETS</b>	<b>6,239,127</b>	<b>5,418,627</b>
<b>NON-CURRENT ASSETS</b>		
	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6,239,127</b>	<b>\$ 5,418,627</b>
 <b>LIABILITIES AND MEMBERS' EQUITY:</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 58,059	\$ 77,416
Due to national marketing fund	47,944	77,545
Deferred revenue	271,448	262,436
<b>TOTAL CURRENT LIABILITIES</b>	<b>377,451</b>	<b>417,397</b>
<b>LONG-TERM LIABILITIES</b>		
	-	-
<b>TOTAL LIABILITIES</b>	<b>377,451</b>	<b>417,397</b>
<b>MEMBERS' EQUITY</b>	<b>5,861,676</b>	<b>5,001,230</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 6,239,127</b>	<b>\$ 5,418,627</b>

The accompanying notes are an integral part of these financial statements.

**B3 FRANCHISING LLC**  
**STATEMENTS OF OPERATIONS**

	<b>FOR THE YEAR ENDED DECEMBER 31,</b>		
	<u><b>2022</b></u>	<u><b>2021</b></u>	<u><b>2020</b></u>
<b>REVENUES</b>			
Franchise fees	\$ 337,888	\$ 515,632	\$ 627,836
Royalty fees	2,157,510	1,594,548	1,594,483
Other revenues	362,271	660,256	639,383
<b>TOTAL REVENUES</b>	<u>2,857,669</u>	<u>2,770,436</u>	<u>2,861,702</u>
<b>COST OF SALES</b>	<u>-</u>	<u>-</u>	<u>639</u>
<b>GROSS PROFIT</b>	2,857,669	2,770,436	2,861,063
<b>OPERATING EXPENSES</b>			
General and administrative	809,060	873,898	514,068
Payroll and related costs	638,694	1,025,201	1,364,534
Advertising expense	321,893	100,104	198,079
Professional services	227,576	297,302	220,306
<b>TOTAL OPERATING EXPENSES</b>	<u>1,997,223</u>	<u>2,296,505</u>	<u>2,296,987</u>
<b>OPERATING INCOME</b>	860,446	473,931	564,076
<b>OTHER INCOME (EXPENSE)</b>			
Loss on disposal of equipment and leasehold	-	(70,347)	-
<b>NET INCOME</b>	<u><u>\$ 860,446</u></u>	<u><u>\$ 403,584</u></u>	<u><u>\$ 564,076</u></u>

The accompanying notes are an integral part of these financial statements.

**B3 FRANCHISING LLC**  
**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

	<b>Members' Capital</b>	<b>Accumulated Earnings</b>	<b>Total Members' Equity</b>
<b>BALANCE, DECEMBER 31, 2019</b>	<b>\$ 175,000</b>	<b>\$ 3,858,570</b>	<b>\$ 4,033,570</b>
Net income	-	564,076	564,076
<b>BALANCE, DECEMBER 31, 2020</b>	<b>175,000</b>	<b>4,422,646</b>	<b>4,597,646</b>
Net income	-	403,584	403,584
<b>BALANCE, DECEMBER 31, 2021</b>	<b>175,000</b>	<b>4,826,230</b>	<b>5,001,230</b>
Net income	-	860,446	860,446
<b>BALANCE, DECEMBER 31, 2022</b>	<b>\$ 175,000</b>	<b>\$ 5,686,676</b>	<b>\$ 5,861,676</b>

The accompanying notes are an integral part of these financial statements.



**B3 FRANCHISING LLC**  
**STATEMENTS OF CASH FLOWS**

	<b>FOR THE YEAR ENDED DECEMBER 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 860,446	\$ 403,584	\$ 564,076
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	-	-	7,764
Loss on equipment and leasehold	-	70,794	-
Recognition of non-refundable deferred franchise sales	(220,988)	(414,682)	(450,456)
Change in assets and liabilities			
Accounts receivable	(49,748)	17,780	214,703
Prepaid expenses	(27,560)	22,741	(31,101)
Accounts payable and accrued expenses	(19,357)	39,391	(37,958)
Due to/from national marketing fund	(29,601)	152,133	(223,905)
Deferred revenue	230,000	300,000	511,250
Net cash provided by operating activities	<u>743,192</u>	<u>591,741</u>	<u>554,373</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	-	-	-
Net cash (used) in investing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Due to/from related parties	(5,982)	(1,288,680)	556,433
Net cash provided (used) by financing activities	<u>(5,982)</u>	<u>(1,288,680)</u>	<u>556,433</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	737,210	(696,939)	1,110,806
<b>CASH, beginning of year</b>	<u>714,693</u>	<u>1,411,632</u>	<u>300,826</u>
<b>CASH, end of year</b>	<u>\$ 1,451,903</u>	<u>\$ 714,693</u>	<u>\$ 1,411,632</u>
<b>SUPPLEMENTAL DISCLOSURES</b>			
Cash paid for interest	\$ -	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**B3 FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

B3 Franchising LLC (“the Company”) was formed on April 12, 2010 (Inception) in the state of Oregon, as a limited liability company. The Company was formed to offer for sale franchises to operate B3 exercise studios that offer classes in three disciplines, ballet barre work, yoga and Pilates.

The Company has three affiliates through common ownership, B3 Studios, LLC (“Studio”), B3 PDX, LLC (PDX) and B3 402 Sixth Ave, LLC (402). Studio has developed unique exercise methods and programs for instruction using its trademarks, service marks, trade names, copyrighted materials, systems, methods, and associated goodwill. These intangible assets have been licensed to the Company for its use. PDX and 402 are affiliates who will operate B3 exercise studios. See NOTE 5 for details of affiliate transactions.

Changes in the number of outlets for the years ended December 31, 2022, 2021 and 2020 consist of the following:

	2022	2021	2020
Outlets in operation, beginning	147	146	142
Outlets opened	5	1	8
Outlets terminated or closed	(12)	-	(4)
Outlets in operation, ending	140	147	146
Franchised outlets	134	141	140
Affiliate owned outlets	6	6	6

COVID-19

In December 2020, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**B3 FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Use of Estimates*

Preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and 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 with a maturity of three months or less at the time of purchase to be cash equivalents. The Company had no cash equivalents as of December 31, 2022, and 2021, respectively.

*Franchisee Receivables*

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of \$0 and \$0 was necessary as of December 31, 2022, and 2021, respectively. Franchisee bad debt expense was \$0, \$0, and \$7,010 for the years ended December 31, 2022, 2021 and 2020, respectively. Franchisee amounts written off were \$0, \$0, and \$7,010 for the years ended December 31, 2022, 2021 and 2020, respectively.

*Revenue Recognition and Non-refundable Deferred Franchise Fee Revenue*

The Company recognizes revenue under the guidance of ASC 606, "Contracts with Customers". The Company's revenue is principally generated through franchise agreements executed with the Company's franchisees. Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each performance obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a franchisee purchases a Barre 3 franchise, the Company grants the franchisee the right to operate the franchised business in a designated location and use the proprietary methods, techniques, trade dress, trademarks, and logos ("the license"). Revenues related to the designated territory and the license are based on the franchise agreement. These revenues are used to continue the development of the Company's brand, the franchise system and provide ongoing support for the Company's franchisees over the term of the agreement. The royalties are billed monthly and are recognized as revenue when earned.

**B3 FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Revenue Recognition and Non-refundable Deferred Franchise Fee Revenue (continued)*

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the designated territory and the license. These primarily include training services, opening support services, opening marketing assistance and franchisee acquisition and acceptance. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin approach. Revenue from initial fees is recognized when the performance obligation is satisfied and control of the good or service has been transferred to the franchisee. Performance obligations that are normally satisfied by the opening of the franchised business to the public are determined to be earned during the period from the execution of the contract to the opening of the franchised business which is generally less than one year.

Revenue from services and materials will be recognized upon provisioning/shipment and invoicing. Sales of services and materials will be restricted to the Company's franchisees.

*Income Taxes*

The members of the Company have elected to be treated as a partnership for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its members and no provisions for federal or state income taxes have been recorded on the accompanying balance sheet.

The Company adopted ASC 740-10-25-6 "Accounting for Uncertainty in Income Taxes", that requires the Company to disclose uncertain tax positions. Under the standard an entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold upon examination by taxing authorities.

Based on its evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements or that would affect the Company's member. The Company's evaluation was performed for the years ended December 31, 2022, 2021 and 2020 for U.S. Federal Income Tax and for the State of Oregon Income Tax.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, franchise receivables. The Company places its temporary cash investments with financial institutions. At times throughout the year the Company may, in the ordinary course of business, maintain cash balances in excess of federally insured limits. Management does not believe the Company is exposed to any unusual risks on such deposits. The Company grants credit to franchisees. The Company's ability to collect the amounts due from franchisees is affected by fluctuations in the economy and the operations of the franchisees.

*Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2022, 2021 and 2020 were \$321,893, \$100,104, and \$198,079, respectively.

**B3 FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fair Value of Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The carrying amounts approximate fair value due to their short maturities.

*Recently issued accounting pronouncements*

The Company has adopted all recently issued Accounting Standards Updates (“ASU”). The adoption of the recently issued ASUs, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

**NOTE 2 – CONTRACTS WITH CUSTOMERS**

The Company has recognized certain liabilities related to the Company’s contracts with franchisees. The account balances and activity are as follows:

	December 31,	
	2022	2021
<b>Deferred Non-refundable Franchise Fees:</b>		
Balance Beginning of year	\$ 377,118	\$ 316,324
Deferral of non-refundable franchise fees	300,000	688,630
Recognition of non-refundable franchise fees	(414,682)	(627,836)
Balance at End of Year	\$ 262,436	\$ 377,118

*Disaggregation of Revenues*

Disaggregated revenues based on the satisfaction of performance obligations in the Company’s contracts with franchisees is as follows:

	Year Ended December 31,		
	2022	2021	2020
Performance obligations satisfied at a point in time	\$ 700,159	\$ 1,175,888	\$ 1,267,219
Performance obligations satisfied through the passage of time	2,157,510	1,594,548	1,594,483
Total revenues	\$ 2,857,669	\$ 2,770,436	\$ 2,861,702

**B3 FRANCHISING LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - NATIONAL ADVERTISING FUND**

The Company has established a national advertising fund to generate general brand advertising and promotion on behalf of the franchisees. Each franchisee is required to contribute a continuing monthly national advertising fund fee. These fees are based on the franchise agreement. At December 31, 2022, and 2021 unused contributions were \$47,944 and \$77,545. These balances are reported as a current and a current liability, in the attached balance sheets.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

Amounts Due to/from Affiliates

At December 31, 2022, and 2021 \$4,468,455, and \$4,307,465 was due from the Company's affiliate Studio for cash advances and expenses paid on behalf of Studio by the Company. At December 31, 2022, and 2021 \$2,190 and \$15,748 was due from the Company's affiliate 402 for expenses paid for the Company. At December 31, 2022, and 2021 \$6,749, and \$139,260 was due from the B3 PDX for expenses paid by the Company.

The Company shares office space with the Company's affiliate Studio and the Company share of that rental is included in the balance due from the affiliate as it may exist from time to time.

License Agreement

The Company entered into a license agreement with Affiliate on May 1, 2010. This agreement allows the Company to offer for sale to prospective franchisees the rights to operate studios utilizing intellectual property, including but not limited to trademarks, copyrighted material and trade secrets owned by the Affiliate.

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

**NOTE 6 - SUBSEQUENT EVENTS**

Date of Management's Evaluation

Management has evaluated subsequent events through March 29, 2023, the date on which the financial statements were available to be issued.



**B3 FRANCHISING LLC**

**EXHIBIT D**

**OPERATIONS MANUAL TABLE OF CONTENTS**

## Operations Brand Standards Manual

---

### TABLE OF CONTENTS

<b>Chapter 1: General Information</b>	<b>10</b>
<b>1. The Purpose of the Manual</b>	<b>11</b>
<b>2. How to Use This Manual</b>	<b>12</b>
2.1 The HUB	13
<b>3. The barre3® Story</b>	<b>14</b>
<b>4. The Brand</b>	<b>15</b>
4.1. What is the barre3® Brand?	15
4.2. Why barre3® is Here	15
4.2.1. Balance	15
4.3. Mission	16
4.4. The Brand Vision	17
4.5. Equity Statement and Core Values	17
4.6. Guiding Principles	19
4.7. The Brand Personality	20
4.8. The Brand Voice	20
<b>Chapter 2: The Franchise Relationship</b>	<b>22</b>
<b>1. The Franchisee/Franchisor Relationship</b>	<b>23</b>
1.1. Independent Contractor	23
1.2. Independently Owned and Operated	23
1.3. You Are the CEO of Your Business	24
1.4 Franchise Advisory Council, FAC	24
<b>2. Our Responsibilities</b>	<b>26</b>
2.1. Pre-opening Obligations	26
2.2. Continuing Obligations	26
2.3. Training	27
2.3.1. Instructor Training	29
2.4. Business Model	29
2.5. Pricing	30
2.6. Pricing Model	30
2.7. Play Lounge Pricing Options	32
2.8. Pricing Formula	33
2.9. Promotional Pricing	34
2.10. When to Increase Prices	35
2.11. When to Add Classes	36
2.11.1. Strategy for Adding Classes	36



## Operations Brand Standards Manual

---

<b>3. Your Obligations</b>	<b>38</b>
3.1. Participation in the Business	38
3.2. Compliance	38
3.2.1. barre3® Standards	38
3.2.2. Compliance with the Law	38
3.2.3. Products & Services	38
3.2.4. Payment of Fees & Taxes	39
3.2.5. Taxes	39
3.3. Confidentiality and Background Check	40
3.4. Site Development	40
3.4.1. Premises	40
3.4.2. Opening	40
3.4.3. Computers, Software & Technology	41
3.5. Training	41
3.6. Meetings & Calls	41
3.7. Use of Marks & Proprietary Information	42
3.8. Insurance	42
3.9. Approved Products & Services	45
3.10. Approved Vendors	45
3.11. Product and Service Variances	45
3.11.1. How to Request a Variance	46
3.12. Books, Records & Reports	47
3.13. Studio Maintenance, Appearance & Remodeling	48
<b>Chapter 3: Operational Standards</b>	<b>49</b>
<b>1. Brand Objectivity &amp; Measurement</b>	<b>50</b>
1.1 Measurement Process	50
<b>2. The Standards</b>	<b>51</b>
2.1 Product Offerings	51
2.2. Hours of Operations	52
2.2.1. Holiday Hours	52
2.3 Class Minimums	52
2.4 Class Selections	53
2.5 Front Desk Coverage	54
2.6 Waivers	54
2.7 Music	55
2.7.1. General	55
2.7.2 Lobby	56
2.7.3. Class	56

## Operations Brand Standards Manual

---

2.8. Studio Cleanliness and Maintenance Standards	56
2.9.1. Lobby	59
2.6.2. Studio Room	60
2.6.2.1. Audio System	60
2.6.2.2. Props	61
2.6.2.3. Ceilings	61
2.6.3. Flooring	61
2.6.4. Walls & Fixtures	62
2.6.5 Lighting	62
2.6.6. Doors	62
2.6.7. Changing Rooms	62
2.6.8. Restrooms	63
2.6.9. Bath & Body Products	63
2.6.10. Laundry Area	63
2.6.11. Front Desk	63
2.6.12. Windows and Mirrors	64
2.6.13. Play Lounge	64
2.6.14. Trash Cans	65
2.6.15. Exterior Signs	65
2.6.16. HVAC & Climate Control	65
2.7 Interior Signs and Marketing	66
2.8. Holiday Décor	67
2.9. Workplace Attire	67
2.10. Personal Hygiene & Appearance	68
2.11. Behavior Standards	68
2.12. barre3 Email	69
<b>Chapter 4: Personnel</b>	<b>70</b>
<b>1. Overview and Disclaimer</b>	<b>71</b>
<b>2. Laws and Requirements</b>	<b>72</b>
2.1. @ Our Franchise	72
<b>3. Job Descriptions</b>	<b>74</b>
3.1. Elements of a Job Description	74
3.2. Suggested barre3® Job Descriptions	75
3.2.1. Operations Manager	75
3.2.2. Instructor Mentor	76
3.2.3. Front Desk	76
3.2.4. Instructor	76

Operations Brand Standards Manual

---

3.2.5. Play Lounge	76
<b>4. Lead Sources for Hiring Post Opening</b>	<b>77</b>
<b>5. Nondisclosure Agreements, HUB, and Emails</b>	<b>78</b>
<b>6. Instructor Training Requirements</b>	<b>79</b>
<b>7. Play Lounge Requirements</b>	<b>81</b>
<b>Chapter 5: The Class</b>	<b>82</b>
<b>1. Overview</b>	<b>83</b>
<b>2. Class Brand Standards</b>	<b>84</b>
<b>3. Class Curricula</b>	<b>85</b>
<b>4. Best Practices</b>	<b>86</b>
4.1. Instructor Relocation	86
4.2. Instructor Leave	86
<b>Chapter 6: In Studio Sales</b>	<b>88</b>
<b>1. barre3® In-Studio Sales Approach</b>	<b>89</b>
1.1. Phase One: Establishing Trust	89
1.2. Phase Two: Building Client Relationships	90
1.3. Phase Three: Empowering Clients' Educated Purchases	91
<b>2. Sales Best Practices</b>	<b>94</b>
<b>3. Mindbody Sales Requirements</b>	<b>95</b>
<b>4. Sales Training Resources</b>	<b>96</b>
<b>Chapter 7: Retail Sales</b>	<b>97</b>
<b>1. Retail</b>	<b>98</b>
1.1 Retail Overview	98
1.2 barre3 Wholesale	98
1.3 Product Knowledge, Service, and Training	99
1.4 barre3 x Beyond Yoga	99
1.5 Retail Marketing Support	100
1.6 Non-Branded Retail	102
1.7 Retail Resources	102
1.8 Discounts	102
1.8.1 Membership Discount	103
1.8.2 Employee Discount	

Operations Brand Standards Manual

---

<b>2. Inventory Control</b>	<b>104</b>
<b>Chapter 8: Operations Best Practices</b>	<b>105</b>
<b>1. What are Best Practices?</b>	<b>106</b>
<b>2. Client Care &amp; Service</b>	<b>107</b>
2.1 Demeanor	107
2.2 Frequently Asked Questions	107
2.3 Telephone Etiquette	108
2.4 Client Complaints	108
<b>3. Sign-In</b>	<b>109</b>
3.1. Managing the Flow of Clients	109
3.2. Waitlists	109
3.3. Staff In Class	112
<b>4. Daily Best Practices - Operations</b>	<b>113</b>
4.1. Opening Routines for Your Staff	113
4.1. Continued Shift Routines	114
4.2. Closing Routines	114
<b>Chapter 9: Mindbody</b>	<b>116</b>
<b>1. Overview</b>	<b>117</b>
1.1. Mindbody Management	117
1.1.1. Recommended Report Timing & Auto Emails	118
1.2. Mindbody Pricing and Schedule updates	119
1.3. Mindbody Apps	119
<b>Chapter 10: Crisis Management</b>	<b>121</b>
<b>1. Defining a Crisis</b>	<b>122</b>
<b>2. Closing a Studio</b>	<b>123</b>
<b>3. Incident/Accident Reports</b>	<b>124</b>
<b>4. Crisis Communication</b>	<b>125</b>
4.1. First Responders	126
4.2. Spokesperson	126
4.2.1 Dealing with the Press	127
4.2.2. What Not to Say	127
4.3. Client Liaison	127
4.4. Documentation Specialist	128

Operations Brand Standards Manual

---

<b>Chapter 11: Business Administration</b>	<b>129</b>
<b>1. Key Performance Indicators (KPIs) &amp; Costs</b>	<b>130</b>
1.1 Primary Metrics	130
Total Gross Revenue & Year-over-Year Change	130
Active Clients & Year-over-Year Change	130
1.2 Secondary Metrics	131
1.2.1. Total Gross Revenue by Category	131
1.2.2. Total Active Clients	131
1.2.3. Memberships	131
1.2.4. Marketing	131
1.2.5. Conversion	131
1.2.6. Retention	131
1.3. Tertiary Metrics	132
1.3.1. The Class	132
1.3.2. Business	132
1.3.3. Marketing	132
1.4 Costs	132
1.4.1. Labor Costs	132
<b>2. Risk Management</b>	<b>133</b>
2.1. Crime	133
2.2. Cash on Hand	133
2.3. Security & Alarms	133
2.4. Locked Doors	134
2.5. General Safety	134
2.5.1 Spills & Water	134
2.5.2. Lifting	134
2.5.3. Fire, Earthquake & Severe Weather Safety	135
2.5.4. Emergency Care	135
2.5.5. Incident Reports	135
<b>3. Data Security</b>	<b>137</b>
3.1. PCI DSS Compliance	137





**B3 FRANCHISING LLC**

**EXHIBIT E**

**LIST OF FRANCHISEES, LICENSEES AND  
CERTAIN FORMER FRANCHISEES**

**B3 FRANCHISING LLC**  
**LIST OF FRANCHISEES AS OF DECEMBER 31, 2022**

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Mandy Simons	Huntsville, AL	900 Bob Wallace Avenue Huntsville Alabama 35801	(256) 929-2605
Amanda Cook	Mobile AL	6345 Airport Boulevard Mobile Alabama 36609	(251) 461-6998
Andrea Laughlin	Chandler AZ	4145 S. Gilbert Rd Chandler Arizona 85297	(480) 366-4494
Kelly Murphy & Daniella Murphy	Flagstaff AZ	601 East Piccadilly Drive Suite 80 Flagstaff Arizona 86001	(928) 774-0782
Andrea Laughlin	Gilbert - Epicenter, AZ	3150 East Ray Road, Suite 112 Gilbert, Arizona 85296	(480) 904-3093
Erin Roy	North Peoria AZ	24870 N. Lake Pleasant Parkway Peoria Arizona 85383	(623) 566-1112
Kasey Kroll & John Welch	North Scottsdale AZ	13805 North Scottsdale Road Space 139 Scottsdale Arizona 85254	(480) 939-2510
Kate Ares	Tucson AZ	2905 E Skyline Drive Suite 292 Tucson Arizona 85718	(520) 299-1287
Morgan Riddles	Fayetteville AR	1550 East Zion Road Fayetteville Arkansas 72703	(479) 445-6400
Wendy Hennig	Danville CA	406 Hartz Avenue Danville California 94526	(925) 362-4836
Jessica States & Nicki Insley	Laguna Niguel - CA	23882 Aliso Creek Road Laguna Niguel California 92677	(949) 328-9633
Alene Baronian	Los Altos CA	4758 W El Camino Real Los Altos California 94022	(650) 481-8139
Meghan VanMetre	Menlo Park CA	989 El Camino Real Menlo Park California 94025	(650) 847-1183
Sylvia Vu	San Carlos CA	617 Old County Road San Carlos California 94070	(650) 453-3565
Jessica States & Nicki Insley	San Clemente CA	638 Camino de las Mares Suite C240 San Clemente California 92673	(949) 429-1738
Salina Navarro	San Diego CA	3752 30th Street San Diego California 92104	(619) 436-2122
Mindy Sofro	Santa Barbara CA	761 Chapala St Santa Barbara California 93101	(805) 845-9380
Megan Wilson	Willow Glen CA	1395 Lincoln Avenue San Jose California 95125	(408) 850-7408



<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Tonya Alonzo	Colorado Springs CO	9697 Prominent Point Colorado Springs Colorado 80924	(719) 219-9660
Bailey Smith	Denver - Belleview Station CO	4930 S. Newport Street Denver Colorado 80237	(303) 656-6702
Julie Gordon	Denver - Cherry Creek CO	2828 East 6th Ave Denver Colorado 80206	(303) 484-1287
Julie Gordon	Denver - Highlands Square CO	3241 N. Lowell Boulevard Denver Colorado 80211	(303) 284-4566
Stephanie Aiken & Julie Gordon	Denver - Highlands Ranch CO	1493 Park Central Drive Highlands Ranch Colorado 80129	(972) 983-4747
Sarah Pfinsgraff & Niki Mirtorabi	Farmington Valley CT	30 Market Street, Unit #110 Avon, Connecticut 06001	(860) 352-2771
Alicia Sokol	DC - 14th Street DC	1832 14th Street NW Washington District of Columbia 20009	(202) 588-0428
Jill Warren	DC Navy Yard DC	1243 1st Street SE Washington District of Columbia 20003	(202) 975-1324
Jill Warren	DC - Union Station DC	701 2nd St NE Washington District of Columbia 20002	(202) 735-5465
Rachel Engstrom	Boca Raton FL	5030 Champion Blvd #G3 Boca Raton Florida 33496	(561) 931-2891
Nikki Roenicke	Lakewood Ranch FL	8141 Lakewood Main St. Bradenton Florida 34202	(941) 800-1333
Kendyl Lynch	South Tampa, FL	1910 S Dale Mabry Tampa Florida 33629	(813) 930-5677
Andi Prather	Winter Park FL	141 S. New York Ave Winter Park Florida 32789	(321) 972-2979
Tara Craighead	Atlanta - Druid Hills GA	2480 Briarcliff Road Northeast Atlanta Georgia 30329	(404) 418-4209
Landis Frasier	Atlanta - South Buckhead GA	1745 Peachtree Street NE Suite K Atlanta Georgia 30309	(404) 464-7927
Izabela Amos	Atlanta - East Cobb GA	4475 Roswell Road #1415 Marietta Georgia 30062	(770) 726-0839
Jen Bobodzhanov	Eagle ID	2794 S. Eagle Road Eagle Idaho 83616	(208) 995-8600
Lisa Shipley	Chicago West Loop IL	171 N Aberdeen Street Chicago Illinois 60607	(312) 291-9640
Mariel Pain	Clarendon Hills IL	158 Burlington Avenue Clarendon Hills Illinois 60514	(630) 819-5112

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Kelli Fuhr & Dennis Fuhr	North Plainfield IL	11914 IL-59 Plainfield Illinois 60585	(815) 782-8623
Maureen Beran	Iowa City IA	1312 Melrose Ave Iowa City Iowa 52246	(319) 569-1026
Jessica Donelan	Ft Thomas KY	90 Alexandria Pike Fort Thomas Kentucky 41075	(859) 360-7420
Nikki Naseef	Louisville - Frankfort Ave KY	2400 Frankfort Avenue Louisville Kentucky 40206	(502) 690-2425
Nicole Cummins	Baton Rouge LA	3535 Perkins Road Baton Rouge Louisiana 70808	(225) 900-6063
Morgan Moone	New Orleans - Downtown LA	611 O'Keefe Ave New Orleans Louisiana 70113	(504) 371-5297
Morgan Moone	New Orleans - Uptown LA	5235 Magazine Street New Orleans Louisiana 70115	(504) 301-3082
Morgan Moone	Old Metairie LA	600 Metairie Road Metairie Louisiana 70005	(504) 301-2017
Juliana Stein	Bethesda MD	4829 Cordell Ave. Bethesda Maryland 20814	(240) 858-6101
Natasha Groblewski	Bedford MA	158 Great Road Bedford Massachusetts 1730	(781) 929-5761
Jamie Golden	Boston - South End MA	1525 Washington Street Boston Massachusetts 02118	(617) 375-0033
Simone Bernstein	Brookline MA	1624 Beacon Street Brookline Massachusetts 02446	(617) 860-6068
Liz Hay	Needham MA	996 Great Plain Avenue Needham Massachusetts 2492	(781) 444-4482
Lucy Gardiner & Morgan Wolfe	Edina MN	2952 W. 66 th Street Edina Minnesota 55423	(612) 353-4535
Melissa Stolze	St. Louis - Des Peres MO	1056 North Ballas Road Des Peres Missouri 63131	(314) 909-4769
Natalia Negron Stamm	Kansas City MO	18 West 63rd Street Kansas City Missouri 64113	(816) 569-2978
Sally Miller	St. Charles MO	333 1st Capitol Drive St. Charles Missouri 63301	(636) 493-5334
Lauren Clift	Henderson NV	120 S. Green Valley Parkway Suite 194 Henderson Nevada 89012	(702) 754-0290
Vanessa Allen	Cherry Hill NJ	921 Haddonfield Road Cherry Hill New Jersey 8002	(856) 324-0213
Amy Billetz	Franklin Lakes NJ	858 Franklin Avenue Franklin Lakes New Jersey 07417	(201) 766-6465

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Lisa Webster & Rebecca Mueller	Morristown NJ	173 Washington Street Morristown, New Jersey 07960	(973) 993-1233
Lauren Stone	Westfield NJ	276 North Avenue East Westfield New Jersey 07090	(910) 691-7266
Sarah Levant	Albuquerque NM	8060 Academy Road NE #D Albuquerque New Mexico 87111	(505) 508-2494
Becca Licht	Rivertowns NY	42 Chestnut Street Dobbs Ferry New York 10522	(914) 478-1412
Luke Pantanelo & Lisa Pantaleo	Long Island City NY	44-16 23rd Street Long Island City New York 11101	(718) 707-9436
Tori Fox	Cary NC	111 Edinburgh South Drive #101D Cary North Carolina 27511	(984) 465-0567
Dana Harshaw	Chapel Hill NC	201 S. Elliott Road Chapel Hill North Carolina 27514	(984) 234-0680
Tori Fox	Raleigh - Five Points NC	509 West Whitaker Mill Road Raleigh North Carolina 27608	(919) 307-8516
Lauren Melillo	South Charlotte NC	9925 Rea Road Waxhaw North Carolina 28173	(980) 339-8416
Lisa Begley	White Oak, NC	53 Cabela Drive Garner, North Carolina 27529	(919) 594-1606
Karey Matteucci	Cincinnati - Mariemont OH	7449 Wooster Pike Cincinnati Ohio 45227	(513) 271-0612
Suzanne Breckenridge & Yvonne Zeman	Cincinnati - Montgomery OH	9600 Montgomery Road Cincinnati Ohio 45242	(513) 792-9333
Whitney Carpenter	Columbus - Upper Arlington, OH	1735 W. Lane Avenue Columbus Ohio 43221	(614) 429-3945
Liz Ferrante	Cleveland - Legacy Village OH	24731 Cedar Road Lyndhurst Ohio 44124	(216) 938-8556
Natalie Cannone & Patrick Cannone	New Albany, OH	5533 New Albany Road New Albany, Ohio 43054	(614) 245-8049
Suzy Mihocik	Powell OH	8882 Moreland St Powell Ohio 43065	(740) 917-5039
Hannah Green	Edmond OK	1189 E. 15th St Edmond Oklahoma 73013	(405) 513-6393
Lindsay Parks	Oklahoma City OK	5800 N Classen Blvd. Oklahoma City Oklahoma 73118	(405) 463-3343
Beth Clagg & Jeff Clagg	Tulsa OK	3419 S. Peoria Avenue Tulsa Oklahoma 74105	(918) 749-0688
Alisha Wiater	Bend OR	805 SW Industrial Way, Suite 7 Bend, Oregon 97702	(541) 323-2828

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Jessica Neeley	Eugene - Oakway OR	301 Oakway Road Eugene Oregon 97401	(541) 653-9099
Liz Denfeld & Tiffany DeLorenzo	Happy Valley OR	13180 SE 172 <sup>nd</sup> Ave. Suite 136 Happy Valley, Oregon 97086	(503) 773-2251
Colette Bird	Orenco Station - Hillsboro, OR	6350 NE Cherry Dr. Hillsboro Oregon 97124	(503) 676-3541
Nicole White	Salem, OR	121 Commercial Street SE Salem, Oregon 97301	(503) 991-3297
Brittany Morse	Allentown PA	3900 Hamilton Blvd Allentown Pennsylvania 18103	(610) 841-8200
Lori Espe & Caroline Espe	Main Line - Berwyn, PA	579 Lancaster Ave Berwyn Pennsylvania 19312	(610) 640-1259
Brittany Morse	Bethlehem PA	3303 Bath Pike Bethlehem Pennsylvania 18017	(610) 625-5955
Emily Rothrock	Blue Bell PA	970 DeKalb Pike Blue Bell Pennsylvania 19422	(484) 231-1280
Tara Mlinac	Southpointe PA	1800 Main Street Southpointe Town Center Canonsburg Pennsylvania 15317	(724) 485-2265
Angie Lee	Doylestown PA	1721 S. Easton Road Doylestown Pennsylvania 18901	(267) 483-8625
Lauren Ziel	Newtown PA	2875 S. Eagle Rd Newtown Pennsylvania 18940	(215) 860-1625
Stephanie Maas & Sandy Grimes	Philadelphia - Rittenhouse Square PA	1500 Sansom Street Philadelphia Pennsylvania 19102	(267) 639-6704
Karyn Pless	Rosemont PA	1149 East Lancaster Avenue Rosemont Pennsylvania 19010	(484) 383-3302
Mary Ann Stisher	Charleston SC	484 King Street Charleston South Carolina 29403	(843) 929-1629
Lauren Truslow	Columbia SC	3000 Rosewood Drive Columbia South Carolina 29205	(803) 834-7437
Lauren Truslow	Lake Murray SC	2900 Dreher Shoals Road Columbia South Carolina 29212	(803) 851-4347
Erica Baessler & Melanie Zook	Fort Mill SC	1343 Broadcloth Street Fort Mill South Carolina 29715	(803) 548-2961
Katie Williams & Lizzie Miller	Greenville SC	3014-A Augusta Street Greenville South Carolina 29605	(864) 605-7699
Kyla Sfiris & Kristen McNicholas	Five Forks SC	2815 Woodruff Road Simpsonville South Carolina 29681	(864) 627-3900
Amanda Roder & Angela Jones	Sioux Falls SD	5035 S. Louise Avenue Sioux Falls South Dakota 57108	(605) 271-6908

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Jessie Ganick & Francie Corcoran	Brentwood TN	4908 Thoroughbred Lane #B-2 Brentwood Tennessee 37027	(615) 477-0931
Sarena Montgomery	Knoxville - Bearden Hill TN	6450 Kingston Pike Knoxville Tennessee 37919	(865) 474-9019
Holly Coltea & Pace McCamy	Nashville - Paddock Place TN	73 White Bridge Rd. Nashville Tennessee 37205	(615) 915-3069
Holly Coltea & Pace McCamy	Nashville - The Gulch, TN	501 12th Ave South Nashville Tennessee 37203	(615) 679-9423
Kim Miller, Aurora Jones & Tara Heavner	Austin - Circle C TX	5700 W Slaughter Lane Austin Texas 78749	(512) 294-2690
Kim Miller & Tara Heavner	Austin - Downtown TX	115 Sandra Muraida Way Austin Texas 78703	(512) 391-6200
Emily Ballenger	Austin - Mueller TX	1911 Aldrich Street Austin Texas 78723	(512) 904-0763
Kim Miller & Tara Heavner	Austin - Hill Country Galleria TX	12800 Hill Country Boulevard Bee Cave Texas 78738	(512) 243-5233
Cori Hofmann & Adam Hofmann	Cedar Park TX	12160 W Parmer Lane #170 Cedar Park Texas 78613	(737) 717-3033
Kiki Thorn	Coppell TX	120 S Denton Tap Rd. Coppell Texas 75019	(972) 393-7300
Tammy Hischke	Frisco TX	8855 Coleman BLVD Frisco Texas 75034	(972) 668-4764
Denielle Wegman	Richardson TX	1387 W Campbell Road Richardson Texas 75080	(214) 484-1653
Katie Torres	Salt Lake City, UT	602 E 500 S, Building C, Unit 103B Salt Lake City Utah 84102	(801) 441-2864
Meredith Patel & Lindsay McConnell	Alexandria - Old Town VA	715 Duke Street Alexandria Virginia 22314	(703) 888-1908
Patty Brown	Bellevue WA	1020 108th Avenue NE Bellevue Washington 98004	(360) 314-6769
Caitlin Walker	Bellingham WA	2210 Rimland Drive Bellingham Washington 98226	(360) 922-7398
Erin Anderson	Covington, WA	27116 168th Avenue SE; Suite 110 Covington Washington 98042	(253) 981-3781
Gina Drake	Edmonds WA	201 5th Avenue South Edmonds Washington 98020	(425) 361-1317
Jamie Joppa	Issaquah Highlands WA	1091 NE High Street Issaquah Washington 98029	(425) 391-1192
Patty Brown	Kirkland, WA	223 Kirkland Ave Kirkland Washington 98033	(425) 307-1844

<b>United States Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Studio Address</b>	<b>Phone</b>
Shayla Green	Mill Creek WA	15021 Main Street Mill Creek Washington 98012	(425) 585-0308
Kimberly Johanson & Katie Lyden	Seattle - Ballard WA	5711 24th Ave NW Seattle Washington 98107	(206) 420-2288
Mary Lytle	Seattle - Capitol Hill WA	1404 12th Avenue Seattle Washington 98122	(206) 257-1694
Mary Lytle	Seattle - Roosevelt WA	6408 Roosevelt Way NE Seattle Washington 98115	(206) 524-4690
Sarah Heitman	West Seattle WA	3218 California Ave SW Seattle Washington 98116	(206) 717-2116
Tiffany DeLorenzo	Vancouver - Camas WA	16415 SE 15th Street Vancouver Washington 98683	(520) 299-1287
Lindsay Raymond	Vancouver - Felida WA	3604 NW 119th St. Vancouver Washington 98685	(918) 749-0688
Erin Lantz & Jen Perrault	Yakima WA	4001 Summitview Avenue #20 Yakima Washington 98908	(509) 426-2246
Missy Dunn	Madison WI	2560 University Avenue Madison Wisconsin 53705	(608) 467-9788

<b>International Outlets</b>			
<b>Franchisee OPEN UNITS</b>	<b>Studio Name</b>	<b>Address</b>	<b>Phone</b>
Aimee Ostrander	Toronto - Downtown	430 Adelaide St West Toronto, Ontario, Canada M5V1S7	(416) 519-9638
Jennifer Arnett	Okinawa, Japan - US Military Base	Kadena Air Force Base 2402 Patterson Avenue Okinawa, Japan	(405) 905-9415
Tanya Tan	Fort	908 Bonifacio High Street Bonifacio Building 8 Global City, Taguig City, Philippines	0928-550-4891
Tanya Tan	Rockwell	R3 Level Powerplant Mall Rockwell Center Makati City, Philippines	811.2828/ 811.6868
Tanya Tan	Alabang	Lower Ground Alabang Town Center Alabang Muntinlupa City, Philippines	0928-550-4892
Tanya Tan	Podium	Level 4 The Podium 12 ADB Ave Ortigas Center, Mandaluyong, Philippines	811-5858 / 811- 8787
Tanya Tan	Shangri La	Level 6 Leisure Haven East Wing, Shangri-la Plaza EDSA Shaw Boulevard Mandaluyong City Philippines	0928-550-4885
Tanya Tan	Trinoma	Level 3 Wellness Zone TriNoma Mall North Avenue Quezon City, Philippines	576-4186

**B3 FRANCHISING LLC**  
**LIST OF FRANCHISEES NOT YET OPERATIONAL AS OF DECEMBER 31, 2022**

<b>United States Outlets</b>		
<b>Franchisee NOT YET OPERATIONAL</b>	<b>Franchise City</b>	<b>Phone</b>
Emma Curtin	Birmingham, AL	(213) 258-7566
Mandy Simons	Madison, AL	(256) 655-5991
Nicole Putnam	Arcadia, AZ	(480) 286-7816
Erin Roy	Surprise, AZ	(623) 826-0125
Katharine Doty	Toluca Lake, CA	(818) 939-6396
Rachel Engstrom	Aventura FL	(954) 242-2102
Rachel Engstrom	Ft Lauderdale FL	(954) 242-2102
Nikki Roenicke	Sarasota, FL	(530) 277-1934
Natalie Pisch & Joann Pisch	Horizon West, FL	(215) 913-8377
Jen Bobodzhanov	Boise, ID	(206) 786-6936
Jamie Golden	Boston - North MA	(617) 990-2794
Nikki Hedren	Minneapolis, MN	(507) 469-8411
Sarah Grantham	Charlotte, NC	(704) 517-8431
Tori Fox	Wake Forest NC	(919) 358-4586
Patchanika Makaew	Jersey City, NJ	(929) 285-0255
Lisa Pantaleo & Luke Pantaleo	Hamptons, NY	(347) 231-6965
Christine Ferrise	Rockaway Peninsula, NY	(917) 834-9775
Suzy Mihocik	Dublin OH	(614) 352-3126
Liz Denfeld	Progress Ridge OR	(503) 858-9462
Sally Novitsky & Nicole White	Wilsonville OR	(503) 826-2966
Morgan Brown	Mt. Pleasant, SC	(215) 913-0351
Cassandra Bottroff	Franklin, TN	(541) 640-1245
Sarena Montgomery	Hardin Valley, TN	(615) 517-8709



<b>United States Outlets</b>		
<b>Franchisee NOT YET OPERATIONAL</b>	<b>Franchise City</b>	<b>Phone</b>
Cassandra Bottroff	Spring Hill, TN	(541) 640-1245
Jennifer Kerr	Plano, TX	(972) 977-8826
Lindsay Raymond	Battleground, WA	(206) 850-4962
Gina Drake	Shoreline WA	(306) 948-5969

<b>International Outlets</b>		
<b>Franchisee NOT YET OPERATIONAL</b>	<b>Franchise City</b>	<b>Phone</b>
None		

**B3 FRANCHISING LLC  
CERTAIN FORMER FRANCHISEES**

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

The following franchisees had an outlet terminated, cancelled, not renewed, or otherwise ceased to do business under a franchise agreement during the fiscal year ended December 31, 2022:

<b>United States Outlets</b>		
<b>Former Franchisee</b>	<b>Last Known City and State</b>	<b>Last Known Phone Number</b>
Kristian Sexton (former co-owner of studio not yet operational)	Madison, AL	(256) 556-0698
Karie Johnson	North Scottsdale, AZ	(602) 350-7868
Karie Johnson	Central Phoenix, AZ	(602) 350-7868
Katie Hamberlin	North Peoria, AZ	(480) 229-3776
Monica Little	Ladera Ranch CA	(325) 262-2362
Andi McCall	San Mateo CA	(336) 564-5523
Katelyn Ferraro & Matt Ferrero (**Agreement was terminated without Franchisee ever opening)	Thousand Oaks, CA (formerly Calabasas, CA)	(610) 653-2207
Katie Heaps	Denver, CO	(303) 963-6935
Jill Warren	DC - Georgetown DC	(512) 217-8114
Jill Warren	DC - Spring Valley DC	(512) 217-8114
Kelsey Harris	Wesley Chapel FL	(317) 603-5768
Nikki Naseef (still owner of Louisville – Frankfort Ave)	Louisville - East End KY	(702) 480-4122
Natasha Groblewski (still owns Bedford, MA)	Sudbury, MA	(781) 929-5761
Karen Timmons (former co-owner of existing studio)	St. Charles, MO	(636) 493-5334
Melissa Hruby	Corvallis OR	(541) 760-7931
Becca Bagge	Main Line - Berwyn, PA	(610) 640-1259
Terri Natale	West Chester PA	(360) 718-2358
Bethany Thomas and Kelley Michalski	Ft. Mill, SC	(704) 661-4850
Sarah Regier	Austin - Four Points TX	(512) 422-2348
Jill Warren	Clarendon VA	(512) 217-8114

<b>United States Outlets</b>		
<b>Former Franchisee</b>	<b>Last Known City and State</b>	<b>Last Known Phone Number</b>
Heather Kass	Issaquah Highlands WA	(425) 785-8545

<b>International Outlets</b>		
<b>Former Franchisee</b>	<b>Last Known City and State</b>	<b>Last Known Phone Number</b>
Aimee Ostrander (still owner of Toronto – Downtown)	Toronto – Leslieville - Canada	416-520-0898

Franchisees who have not communicated with us within 10 weeks of the date of this disclosure document:

None



**B3 FRANCHISING LLC**

**EXHIBIT F**

**STATE SPECIFIC ADDENDA TO  
FDD, FRANCHISE AGREEMENT,  
AND RELATED DOCUMENTS**

**ADDENDUM  
TO THE FDD AND  
FRANCHISE AGREEMENT OF  
B3 FRANCHISING LLC**

The following modifications are to B3 FRANCHISING LLC franchise disclosure document (“FDD”) and may supersede, to the extent then required by then applicable state law, certain portions of the franchise agreement dated \_\_\_\_\_, 20\_\_ (the “Franchise Agreement”). The following is applicable to you only if you are covered by the franchise law of the referenced state:

**California:**

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FDD.

The Franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee 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. Section 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.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Portland, Oregon, with the costs of each party being borne by that party, subject to the authority of the arbitrator to later award costs and attorneys’ fees to the prevailing party. 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 requires application of the laws of Oregon. This provision may not be enforceable under California law.

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

If we exercise our option under section 15.1(a) of the Franchise Agreement to purchase all of Franchisee's rights, title and interest in the Studio, the purchase price for the assets of the Studio will be the lower of (1) fair market value or (2) the price paid minus depreciation using GAAP-compliant accelerated depreciation ("Net Book Value"), unless California Business and Professions Code Section 20022 requires us to pay Net Book Value.

No statement, questionnaire, or acknowledgment signed by a franchisee in connection with the commencement of the franchise relationship shall be construed as waiving any claims under any applicable state franchise law, including fraud in the inducement, or as 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.

California franchisees shall not answer or complete the Franchise Disclosure Questionnaire and Certification in Exhibit I to the franchise disclosure document.

Section 20.13 of the Franchise Agreement is deleted in its entirety and replaced with the following: "Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law will be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company will be personally liable to Franchisee for any reason. Do not sign this Agreement if there is any question concerning its contents or any representations made."

Sections 21.4 and 21.5 of the Franchise Agreement are deleted in their entirety.

**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.**

### **Hawaii:**

The following is added to the Cover Page:

**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 IN THIS DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO YOU, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY YOU, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY YOU, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A 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 US AND YOU.**

**Illinois:**

Illinois law governs the Franchise Agreement.

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, arbitration may take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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.

**Item 1 of the FDD is amended by adding the following:**

You must comply with the Physical Fitness Services Act (815 ILCS 645), which among other things requires the use of written contracts, providing without limitation, specified cancellation requirements (with 3 days or if consumer moves), maximum fees not to be more than \$2,500 per person per year, cancellation provisions for centers not yet opened if not opened within 12 months, the escrow of all money received prior to the opening, and, that a person trained in CPR be on the premises at all times that people can be working out.

You must comply with Illinois law, the Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74), which among other things requires a medical emergency plan, at least one automated external defibrillator and one staff training on CPR and AEDs.

**Item 7 to the FDD is amended by adding the following:**

Compliance with the Physical Fitness Services Act (815 ILCS 645) and the Physical Fitness Facility Medical Emergency Preparedness Act (210 ILCS 74) will cost you between \$1,450 and \$2,290.

See the LAST page of this Exhibit F (page F9) for your Signature.

**Kansas:**

**The Franchise Agreement states that you and each owner of the Franchised Business will indemnify and hold us, and our officers, directors, employees, affiliates, and agents harmless against all claims, damages, costs, suits, judgments, losses, assessments, and legal fees and liabilities of any kind arising directly or indirectly out of or in connection with the Franchised Business. However, you are not required to indemnify us for claims resulting solely from our breach of this Agreement or other wrongs we commit. See the Franchise Agreement for details. This provision may not be enforceable in Kansas unless separately negotiated and reasonable. By signing this Addendum, you hereby agree that you separately considered and had an opportunity to consult legal counsel concerning this indemnity, and that you consider it reasonable.**

**The Franchise Agreement requires that you name us as an additional named insured on certain insurance policies. This provision may not be enforceable in Kansas unless separately negotiated and reasonable. By signing this Addendum, you hereby agree that you separately considered and had an opportunity to consult legal counsel concerning this insurance clause, and that you consider it reasonable.**

**Maryland:**

Item 17 of FDD and any sections of the Franchise Agreement or other agreements requiring that you sign a general release as a condition of renewal or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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.

Item 17 of FDD and any section of the Franchise Agreement relating to time limits to file claims is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Item 17 of the FDD and any provision in the Franchise Agreement that provides for termination upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

Item 17 of the FDD and any provision of the Franchise Agreement relating to dispute resolution is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Registration and Disclosure Law.

Section 20.13 of the Franchise Agreement is deleted in its entirety.

Sections 21.1 through 21.6 of the Franchise Agreement are deleted in their entirety.

This Addendum modifies both the franchise disclosure document and the Franchise Agreement.



**Michigan:**

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

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

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

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

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

**ESCROW REQUIREMENTS (IF ANY):** \_\_\_\_\_

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
525 W. Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48933-1067  
Telephone Number: (517) 373-7117

**Minnesota:**

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), to the extent required by Minnesota law, the Franchise Agreement and Item 13 of the FDD are amended to state that we will protect your right to use our primary trademarks, or we will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trademarks.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The FDD and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

No statement, questionnaire, or acknowledgment signed by a franchisee in connection with the commencement of the franchise relationship shall be construed as waiving any claims under any applicable state franchise law, including fraud in the inducement, or as 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.

**New York:**

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

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

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

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

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

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

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

7. Receipts — Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

### **Virginia:**

Additional Disclosure. The following statements are added to Items 12 and 17.h of the FDD:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

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.

**Washington:**

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.

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.

**ACKNOWLEDGMENT:**

It is agreed that any applicable part of the foregoing state law addendum supersedes any inconsistent portion of the Franchise Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, and of the FDD, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**B3 FRANCHISING LLC**

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

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

**FRANCHISEE**

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

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

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

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

**(MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY FRANCHISEE)**



**B3 FRANCHISING LLC**

**EXHIBIT G**

**SAMPLE RELEASE OF CLAIMS**



## SAMPLE RELEASE OF CLAIMS

### THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, B3 Franchising LLC (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) enter into this Release of Claims (“Agreement”).

#### RECITALS

A. Franchisor and Franchisee entered into a \_\_\_\_\_ Franchise Agreement dated \_\_\_\_\_ (the “Franchise Agreement”).

B. [NOTE: Describe the circumstances relating to the release.]

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

#### AGREEMENT

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release of Claims by Franchisor.** In consideration of, and only upon full payment of \$\_\_\_\_\_ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney’s fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorneys’ fees but excluding claims under the Maryland Franchise Registration and Disclosure Law), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

6. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations or other

entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

7. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

8. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

9. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced pursuant to the law of the state of \_\_\_\_\_.

10. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: \_\_\_\_\_, 20\_\_

**B3 FRANCHISING LLC**

Signature:

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

Dated: \_\_\_\_\_, 20\_\_

**FRANCHISEE:**

\_\_\_\_\_  
Signature:

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

The Release of Claims does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.



**B3 FRANCHISING LLC**

**EXHIBIT H**

**ACKNOWLEDGMENT OF RECEIPT OF  
COMPLETED AGREEMENTS**

EXHIBIT H

ACKNOWLEDGMENT OF RECEIPT OF COMPLETED AGREEMENTS

The undersigned, personally and as an officer of or manager in the proposed franchisee, if applicable, does hereby acknowledge receipt of the following agreements:

- Exhibit B: Barre3 Franchise Agreement with the following attachments:
  - Attachment A. Description of Search Area
  - Attachment B. Description of Authorized Territory
  - Attachment C. Guaranty and Assumption of Franchisee’s Obligations
  - Attachment D. Statement of Franchisee
  - Attachment E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages
  - Attachment F. Nondisclosure and Noncompetition Agreement
  - Attachment G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement
  - Attachment H. Addendum Only for Franchisees Who Obtain SBA Financing
  - Attachment I. Addenda for Transfers (Resales) and Renewals
  - Attachment J. Lease Rider
  - Attachment K. Addendum for Conversion and Re-Branding
- Exhibit F: State Specific Addenda to the Disclosure Document
- Exhibit G: Sample Release of Claims
- Exhibit H: Acknowledgment of Receipt of Completed Agreements

with all blanks completely filled in and any and all exhibits or addendums in the completed form in which they are intended to be executed by the undersigned. (Note: This receipt must be signed and dated at seven calendar days (or longer in some states) before the undersigned executes the Franchise Agreement and related agreements. Do not sign and return documents until at least seven calendar days (or longer in some states) have elapsed from the date of this receipt.)

I acknowledge that I should review all such documents personally or have my attorney or other advisor review such documents so that I am fully familiar with the franchise and documents prior to signing them or paying any money.

I hereby agree that all information and materials given to me will be used only in conjunction with my consideration of the franchise. All such information and materials shall not be disseminated other than to my advisors, and will be returned to B3 Franchising LLC promptly if I decide not to purchase a barre3® Studio franchise.

DATE I RECEIVED THE COMPLETED AGREEMENTS: \_\_\_\_\_, 20\_\_\_\_.

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

NAME (Please print)

NAME (Please print)

Address

Address

(Attach additional signatures if necessary. If franchise is to be owned jointly or as community property by husband and wife, both must review all documents and sign. All owners of an entity franchisee must review all documents and sign individually and on behalf of the entity.)



**B3 FRANCHISING LLC**  
**EXHIBIT I**  
**STATE EFFECTIVE DATES**

### **State Effective Dates**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	May 4, 2023, as amended
Hawaii	April 26, 2023, as amended
Illinois	April 19, 2023, as amended
Maryland	Pending
Michigan	July 12, 2022
Minnesota	May 19, 2022, as amended
New York	May 11, 2023, as amended
Rhode Island	May 4, 2023, as amended
Virginia	April 19, 2023, as amended
Washington	June 6, 2023, as amended
Wisconsin	April 28, 2023, 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.



**B3 FRANCHISING LLC**

**EXHIBIT J**

**RECEIPT OF DISCLOSURE DOCUMENT**

**Receipt**  
**(Our Copy)**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If B3 Franchising LLC offers you a franchise, B3 Franchising LLC must provide this disclosure document to you at least 14 calendar-days (or longer in some states) 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 also requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing of any agreement or the payment of any consideration. Iowa also requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the signing of any agreement or the payment of any consideration. Michigan also requires that B3 Franchising LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If B3 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and to the relevant state agency listed in Exhibit D.

Our employed franchise sellers for this offering are Chris Lincoln, Sadie Lincoln, Harper Kalin, Stephanie Rubenstein, Sara Catherine Holder, Jess Zadok, Rachel Intile, and Kaitlin Bitting, and their business address and phone number is 25 N. Shaver St, Portland, OR 97227; telephone: (503) 206-8308.

Issuance Date: April 11, 2023, as amended August 17, 2023

I received a disclosure document dated April 11, 2023, as amended August 17, 2023, that included the following Exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Franchise Agreement, including the following attachments:
  - Attachment A. Description of Search Area
  - Attachment B. Description of Authorized Territory
  - Attachment C. Guaranty and Assumption of Franchisee's Obligations
  - Attachment D. Statement of Franchisee
  - Attachment E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages
  - Attachment F. Nondisclosure and Noncompetition Agreement
  - Attachment G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement
  - Attachment H. Addendum Only for Franchisees Who Obtain SBA Financing
  - Attachment I. Addenda for Transfers (Resales) and Renewals
  - Attachment J. Lease Rider
  - Attachment K. Addendum for Conversion and Re-Branding
- Exhibit C Financial Statements
- Exhibit D Manual Table of Contents
- Exhibit E List of Franchisees, Licensees And Former Franchisees
- Exhibit F State Specific Addenda to FDD and to Franchise Agreement
- Exhibit G Sample Release of Claims
- Exhibit H Acknowledgment of Receipt of Completed Agreements
- Exhibit I State Effective Dates
- Exhibit J Receipt of Disclosure Document



DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

Please sign and date this Receipt (with the date that you received the disclosure document), and if you received it electronically via email, also:

1. Open the attached disclosure document, to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the state cover page of this disclosure document, stating that you received and downloaded this disclosure document; AND:

2. Also print, sign, and date a copy of the Receipt (with the date that you received this disclosure), and return via mail or fax to us at the address or fax number on the state cover page of this disclosure document.

Attach additional signatures or use additional receipts if necessary. All owners, or two authorized officers or managers, of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.

**RETURN THIS COPY TO US**

**Receipt**  
**(Your Copy)**

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If B3 Franchising LLC offers you a franchise, B3 Franchising LLC must provide this disclosure document to you at least 14 calendar-days (or longer in some states) 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 also requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing of any agreement or the payment of any consideration. Iowa also requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the signing of any agreement or the payment of any consideration. Michigan also requires that B3 Franchising LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If B3 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington D.C. 20580 and to the relevant state agency listed in Exhibit D.

Our employed franchise sellers for this offering are Chris Lincoln, Sadie Lincoln, Harper Kalin, Stephanie Rubenstein, Sara Catherine Holder, Jess Zadok, Rachel Intile, and Kaitlin Bitting, and their business address and phone number is 25 N. Shaver St, Portland, OR 97227; telephone: (503) 206-8308.

Issuance Date: April 11, 2023, as amended August 17, 2023

I received a disclosure document dated April 11, 2023, as amended August 17, 2023, that included the following Exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Franchise Agreement, including the following attachments:
  - Attachment A. Description of Search Area
  - Attachment B. Description of Authorized Territory
  - Attachment C. Guaranty and Assumption of Franchisee's Obligations
  - Attachment D. Statement of Franchisee
  - Attachment E. Collateral Assignment of Telephone Numbers, Telephone Listings, Internet Addresses and Social Media Pages
  - Attachment F. Nondisclosure and Noncompetition Agreement
  - Attachment G. Franchisee Employee Nondisclosure, Noncompetition and No Joint Employer Acknowledgement Agreement
  - Attachment H. Addendum Only for Franchisees Who Obtain SBA Financing
  - Attachment I. Addenda for Transfers (Resales) and Renewals
  - Attachment J. Lease Rider
  - Attachment K. Addendum for Conversion and Re-Branding
- Exhibit C Financial Statements
- Exhibit D Manual Table of Contents
- Exhibit E List of Franchisees, Licensees And Former Franchisees
- Exhibit F State Specific Addenda to FDD and to Franchise Agreement
- Exhibit G Sample Release of Claims
- Exhibit H Acknowledgment of Receipt of Completed Agreements
- Exhibit I State Effective Dates
- Exhibit J Receipt of Disclosure Document

DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

DATE DISCLOSURE DOCUMENT RECEIVED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

DATE SIGNED: \_\_\_\_\_

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
NAME & TITLE (Please print)

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address

Please sign and date this Receipt (with the date that you received the disclosure document), and if you received it electronically via email, also:

1. Open the attached disclosure document, to verify that you can download it; then immediately Reply to All, with a cc to the email address listed on the state cover page of this disclosure document, stating that you received and downloaded this disclosure document; AND:

2. Also print, sign, and date a copy of the Receipt (with the date that you received this disclosure), and return via mail or fax to us at the address or fax number on the state cover page of this disclosure document.

Attach additional signatures or use additional receipts if necessary. All owners, or two authorized officers or managers, of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.

**KEEP THIS COPY FOR YOUR RECORDS**